



of Companies

35th Annual Report 2014

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.

CORPORATE INFORMATION

Board of Directors	Mr. Khurrum Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Iqbal Mehboob	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Executive Director Non Executive Director Non Executive Director / Chairman Non Executive Director Independent Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Mohammad Shakeel Mr. Iqbal Mehboob	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Bilal Sharif Mr. Mohammad Amin Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Barclays Bank Plc Bank Alfalah Limited Dubai Islamic Bank Faysal Bank Ltd. Habib Bank Limited MCB Bank Limited Meezan Bank Limited Samba Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associated (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com Website: http://www.umergroup.com	
Liaison / Correspondence office	9th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: http://www.umergroup.com	
Mills At:	Unit I is situated at: Kotri Distric Dadu, Sindh. Tel : 0223 870013 Unit II and Unit III are situated at: Feroz Watwan, Sheikhpura, Punjab. Tel: 056 3731723	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 35th Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Monday 27th October 2014 at 4:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extra Ordinary Meeting held on 31st January 2014.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2014 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 200% (i.e. PKR 20 per share) for the year ended 30th June, 2014, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2014-2015 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(By the order of the Board)

Karachi:

Date: 23rd September 2014

Syed Ashraf Ali, FCA
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 20th October 2014 to 27th October, 2014 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 18th October 2014 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2014.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. As instructed by Securities and Exchange Commission of Pakistan (SECP) vide their letter No. EMD/D-II/Misc/2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares were requested to submit copies of their valid CNICs as requested by our letters and also through advertisement in newspapers. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/National Tax numbers alongwith the folio numbers to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers failing, which we will not be responsible if we are not able to pay the dividends.
6. In order to make process of payment of cash dividend more efficient, SECP vide circular No. 8(4) SM/CDC 2008 dated April 5, 2013 have issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. You may therefore authorize the Company to credit the dividend directly to your bank account for all future dividends declared by the Company. Accordingly all non CDC shareholders are requested to send their bank account details to the Company's Registrar at the address given above. Shareholders who hold shares with Participant/Central Depository Company of Pakistan (CDC) accounts are advised to provide the mandate to the concerned Stock Broker/ Central Depository Company of Pakistan Ltd.
7. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.
8. The financial statements of the company for the year ended 30th June 2014 has been published on the website and may be downloaded from the following link, <http://www.umergroup.com/bhanero-financial-reports.html>
9. Members eager of getting financial statements through email, are request to kindly visit the company website and fill the standard request form.

Directors' Report

The Directors of **Bhanero Textile Mills Limited** are pleased to submit the Annual Report and the audited financial statements for the year ended 30th June, 2014.

Financial Performance at a Glance

By the blessing of Allah Al Mighty, company earned profit after tax of PKR 408.263 Million during the year ended 30th June 2014 (30th June 2013: PKR 593.781 Million).

During the year under review your company achieved a sales growth of 15.2%. Earnings per share of company are PKR 136.09 per share, resulting in even more value for the shareholders and by the blessing of Allah Al Mighty the breakup value of share has crossed the barrier of 1,000, as on 30th June 2014 breakup value of share is PKR 1,096.16

Textile sector and Economic Overview

Economy of Pakistan remained fragile as economic growth which picked up slightly in first half of the year weakened in second half of the year. On dwindling foreign exchange reserves Pak Rupee depreciated profoundly from around PKR 99.50 per USD to PKR 108.50 per USD and then appreciated to PKR 95.92 per USD by 15th April 2014 and now today it is around PKR 102.60 per USD. Under such volatile currency outlook it remained an uphill task to manage and continue successful operations.

Performance of spinning segment was seriously marred due slump in yarn prices coupled with slump in cotton prices subsequently. In January 2014 the prices of cotton was around PKR 7,000 per maund which was decrease to around PKR 6,700 per maund at the end of financial year and subsequently in September 2014 the price of cotton is around PKR 5,500 per maund.

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

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

Operating Results and Profit Appropriation

The operating results and allocation of profit for the year ended 30th June 2014 is summarized as under:

	2014 Rupees	2013 Rupees
Sales	8,060,771,943	6,997,416,846
Gross profit	965,882,199	1,099,663,726
Profit before taxation	470,203,574	628,376,401
Taxation		
Current year	79,121,073	63,054,804
Prior year	352,698	(257,986)
Deferred	(17,533,199)	(28,201,847)
	61,940,572	34,594,971
Profit after taxation	408,263,002	593,781,430
Comprehensive income		
Disposal of investment available for sale	180,000	-
Re-measurement of employees retirement benefits obligation – Actuarial loss	(8,235,989)	(7,670,252)
Deferred tax	923,302	885,171
	(7,132,687)	(6,785,081)
Total comprehensive income	401,130,315	586,996,349
Un-appropriated profit brought forward	117,357,337	90,340,988
Profit available for appropriation	518,487,652	677,337,337

	2014	2013
	Rupees	Rupees
Appropriations:		
Dividend paid	(60,000,000)	(60,000,000)
Transferred to General Reserve	(349,820,000)	(499,980,000)
Un-appropriated profit carried forward	108,667,652	117,357,337
	=====	=====
Basic and diluted earning per share	136.09	197.93
	=====	=====

The company achieved revenue growth of 15.20% for the year ended 30th June 2014 as compared to 9.80% of previous year ended 30th June 2013. Sales has increased from PKR 6.997 billion to PKR 8.060 billion during the year ended 30th June 2014 as compared to previous ended 30th June 2013.

Gross profit for the year under review is amounting to PKR 965.882 million as compared to PKR 1,099,663 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 470.203 million as compared to PKR 593.781 million in prior year.

Gross profit ratio has declined due to slump in spinning sector. Severity of non procurement of yarn and cotton by China was a major cause of slump in spinning sector. Resultantly, prices of yarn and cotton in local market were coming down gradually due to abundant supply in local market. After 30th June 2014, the prices of cotton sharply decreased from 6,500 per maund to 5,500 per maund. Based on such decline in prices of cotton the inventories were written down at lower of cost and net realizable value and affected the profitability of company by PKR 177.409 million.

The provision for Workers' Welfare Fund for the year ended 30th June 2011, 30th June 2012 and 30th June 2013 have been made in financial statements amounting to PKR 38.402 million besides the provision of current year amounting to PKR 10.172 million. The Company has filed an appeal before the Honourable Supreme Court against the decision of Honorable Sindh High Court. The same has been admitted and pending for adjudication.

Dividend

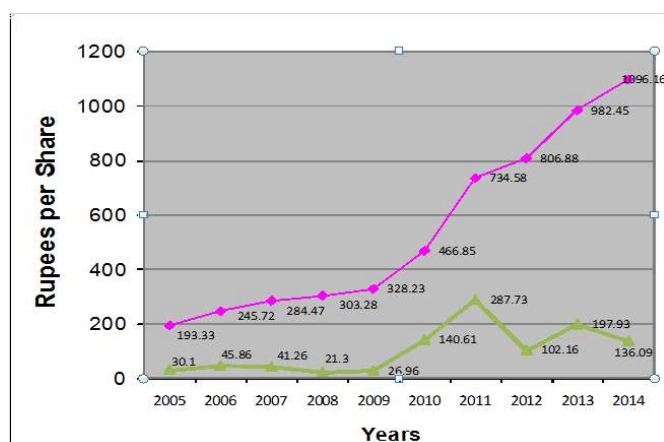
The board of directors is pleased to recommend a final cash dividend of 200% i.e PKR 20.0 per share (June 2013: 200% i.e. PKR 20.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

By the blessing of Allah Al Mighty the total of shareholders' equity has achieved the land mark of three billion and stood at PKR 3.288 billion as on 30th June 2014 (2013: PKR 2.947 Billion). Gearing ratio is 0.43 at 30th June 2014 as compared to 0.28 at 30th June 2013. The liquidity position of the company is sound with a current ratio of 2.4 at 30th June 2014 (June 2013: 2.17).

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2014 is PKR 1,096.16 (30th June 2013: PKR 982.45). The Earning per Share (EPS) of your company for the year ended 30th June 2014 is PKR 136.09 (30th June 2013: PKR 197.93).



Cash Flow Management

During the year ended 30th June 2014 PKR 283.246 million was generated from operating activities. 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.

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

Statement on Corporate and Financial Reporting Framework

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

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for change in accounting policy of retirement benefits as disclosed in detail in note 2.5.1 (g), and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The company has a very sound balance sheet with excellent gearing ratio and therefore there is no doubt at all about company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
 - Statement of pattern of shareholding has been given separately.
 - Statement of shares held by associated undertakings and related persons.
 - Statement of the board of directors meetings held during the year and attendance by each director has been given separately.
 - Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Related Party transaction and Transfer Pricing

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

Major Judgment Areas

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

Accounting Standards

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

Human Resource and Remuneration Committee:

The human resource and remuneration committee of the company is working as required by the code of corporate governance and term of reference as approved by the board of directors. The human resource and remuneration committee has established sound and effective employees' development programme.

Audit Committee

During the year the audit committee was reconstituted in terms of the requirement of Code of Corporate Governance. The independent director is now the member of 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 2014 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Director Education Program

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

Board and Audit Committee Meetings

The number of board and audit committee meetings held during the year 2013-14 was four. The attendance of the directors and members are as under:

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

*Mr. Iqbal Mehboob joined as director on 31st January 2014 and audit committee on 25th February 2014.

**Mr. Adil Shakeel resign from the audit committee and Mr. Iqbal Mehboob was appointed as member of audit committee in his place.

Expansion Plan

Normal BMR has been done in the year ended 30th June 2014 and BMR will continue as and when required.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company was carried out by Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year ended 30th June 2014.

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 35th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 35th annual general meeting until the conclusion of 36th 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 2015. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partners are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Health, Safety & Environment

Health, Safety & Environment is our core value, we take pride in our practices and will ensure that we run safe operations and are not a source of environmental degradation. The health and safety of our employees, the safety of our assets and the security of our operations always remain among the top priorities of the Company. Safety is an all-encompassing priority for the Company, from the Board down to the business units. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the business units.

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

Human Resources

Human Resource focused on two key areas: improving productivity / efficiency in the Company and enhancing the quality of our workforce. In this regard, several major initiatives were launched. The Company has employed experienced and qualified human resources to meet the challenges ahead. Company also plans to strengthen its team, use employee performance evaluation methods to further strengthen organization structure and effectiveness.

Corporate Social Responsibility

Company is working positively to raise the educational, health and environmental standards of the country in general and local communities in particular. Company is extensively supporting educational and health projects with renowned NGO chartered by Government of Pakistan. Company spent PKR 0.850 million under social commitments during the year. The company worked closely with NGO to support their programs for Health and Education to provide socio-economic opportunities to a multitude of individuals and households.

Business Risks, Challenges and Future Outlook

We foresee a challenging period ahead to maintain profitability of the company as ongoing depression in yarn market and increased energy cost are likely to impact performance of company. Continuous depreciation of Pakistani Rupee is also concern because it is a main cause of increase in inflation.

The Cotton Crop production target for 2014-15 was 15.1 million bales based on the estimated consumption for 2014-15 of local industry is around 14.0 million bales, but 15.1 million bales target is unrealistic and the expected total production of the local industry will be around 12 million bales of cotton. The shortfall of about 2 million bales will be fulfilled through import. Currently the price of cotton in local market is around PKR 5,500 per maund. The prices of cotton might be affected after the actual assessment of loss of crop due to flood in Punjab. But global cotton stock to use ratio stands at 91.5% which might weak the cotton prices.

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

The discount rate at 10% is impacting the economy negatively. The State Bank of Pakistan should consider keeping the discount rate at a minimum possible level in order to facilitate the manufacturer to boost the economy.

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

Acknowledgement

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

For and on behalf of the Board of Directors



Khurram Salim
Chief Executive

Karachi:

Date: 23rd September 2014

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

Member of



Illinois, USA

REVIEW REPORT TO THE MEMBERS

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2014.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:

Date: 23rd September 2014

Engagement Partner:
Mushtaq Ahmed Vohra
F.C.A.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2014

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

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

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

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

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2014

12. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
13. The Board has formed an audit committee. It comprises three members. The Chairman of the committee is Non executive director. The remaining two members are non-executive directors.
14. The Board has formed Human Resource and Remuneration Committee. It comprises of three members, majority of them including Chairman of committee are non executive directors.
15. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
18. The 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.
19. 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).
20. The "Closed Period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
21. 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.
22. 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.
23. 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: 23rd September 2014

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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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, 2014 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 except for the change referred to in note 2.5.1 (g) to the financial statements, with which we concur;
 - (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, 2014 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

Engagement Partner:
Mushtaq Ahmed Vohra
F.C.A.

Karachi:

Date: 23rd September 2014

Balance Sheet As At June 30, 2014

	Note	30 th June, 2014 Rupees	30 th June, 2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2013: 6,000,000) ordinary shares of Rs.10 each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid up capital		30,000,000	30,000,000
Reserves		3,150,000,000	2,800,000,000
Unappropriated profit		108,487,652	117,357,337
		<u>3,288,487,652</u>	<u>2,947,357,337</u>
NON CURRENT LIABILITIES			
Long term financing - secured	7	620,240,702	-
Liabilities against assets subject to finance lease	8	-	-
Deferred liabilities	9	158,111,719	154,958,307
		<u>778,352,421</u>	<u>154,958,307</u>
CURRENT LIABILITIES			
Trade and other payables	10	426,780,269	467,076,899
Mark-up accrued on loans and other payables	11	21,458,189	5,980,563
Short term borrowings - secured	12	802,212,479	828,550,000
Current portion of long term borrowings	13	-	1,699,570
		<u>1,250,450,937</u>	<u>1,303,307,032</u>
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>5,317,291,010</u></u>	<u><u>4,405,622,676</u></u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

Karachi:
Date: 23rd September 2014


Khurram Salim
Chief Executive

Balance Sheet As At June 30, 2014

	Note	30th June, 2014 Rupees	30th June, 2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,540,975,267	1,531,890,987
Capital work in progress	16	725,583,893	40,293,004
Long term investments	17	-	320,000
Long term deposit	18	11,220,436	10,642,796
		2,277,779,596	1,583,146,787
CURRENT ASSETS			
Stores, spares and loose tools	19	62,663,236	53,122,008
Stock in trade	20	2,164,138,832	2,127,754,269
Trade debts	21	500,932,916	414,889,160
Loans and advances	22	38,555,570	29,973,488
Trade deposits and short term prepayments	23	40,413,940	28,912,184
Other receivables	24	3,783,880	3,949,932
Income tax refundable	25	76,817,187	60,077,776
Sales tax refundable	26	121,771,262	50,613,456
Cash and bank balances	27	30,434,591	53,183,616
		3,039,511,414	2,822,475,889
TOTAL ASSETS		5,317,291,010	4,405,622,676

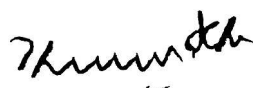


Mohammad Shakeel
Director


Profit and Loss Account For The Year Ended June 30, 2014

	Note	30 th June, 2014 <u>Rupees</u>	30 th June, 2013 Restated <u>Rupees</u>
Sales	28	8,060,771,943	6,997,416,846
Cost of goods sold	29	7,094,889,744	5,897,753,120
Gross profit		965,882,199	1,099,663,726
Other income	30	11,483,212	4,282,948
		977,365,411	1,103,946,674
Distribution cost	31	189,362,334	175,473,206
Administrative expenses	32	114,789,506	142,260,081
Other operating expenses	33	76,173,971	32,940,751
Finance cost	34	126,836,026	124,896,235
		507,161,837	475,570,273
Profit before tax		470,203,574	628,376,401
Provision for taxation	35		
Current year		79,121,073	63,054,804
Prior year		352,698	(257,986)
Deferred		(17,533,199)	(28,201,847)
		61,940,572	34,594,971
Profit after tax		408,263,002	593,781,430
Earnings per share - basic and diluted	36	136.09	197.93

The annexed notes from 1 to 51 form an integral part of these financial statements.



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 23rd September 2014

**Statement of Comprehensive Income
For The Year Ended June 30, 2014**

	Note	30 th June, 2014 <u>Rupees</u>	30 th June, 2013 Restated <u>Rupees</u>
Profit for the year after taxation		408,263,002	593,781,430
Change in fair value of available for sale financial assets		-	20,000
Disposal of investment available for sale financial assets		180,000	-
Remeasurement of employees retirement benefits obligation - Actuarial (loss) / gain	9.3.1	(8,235,989)	(7,670,252)
Other comprehensive income before taxation		<u>400,207,013</u>	<u>586,131,178</u>
Deferred taxation		<u>923,302</u>	<u>885,171</u>
Other comprehensive income after taxation		<u>401,130,315</u>	<u>587,016,349</u>
Total comprehensive income for the year		<u><u>401,130,315</u></u>	<u><u>587,016,349</u></u>

The annexed notes from 1 to 51 form an integral part of these financial statements.



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 23rd September 2014


Cash Flow Statement For The Year Ended June 30, 2014

	30 th June, 2014	30 th June, 2013
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	470,203,574	628,376,401
Adjustments for:		
Depreciation on property, plant and equipment	145,167,928	147,790,522
Provision for employees' benefits	25,862,863	22,459,925
Provision for bad debts	-	36,769,012
Infrastructure fee	9,993,464	5,663,074
(Gain) / loss on disposal of investments available for sale	(202,210)	-
(Gain) on disposal of property, plant and equipment	(664,091)	(1,623,493)
Finance cost	126,836,026	124,896,235
Operating cash flows before changes in working capital	777,197,554	964,331,676
(Increase)/decrease in current assets		
Inventories	(45,925,791)	(757,509,350)
Trade debts	(86,043,756)	(70,309,703)
Loans and advances	(8,582,082)	(9,093,725)
Trade deposits	(11,501,756)	(7,072,892)
Other receivables	166,052	(2,487,016)
Sales tax refundable	(71,157,806)	(798,483)
	(223,045,139)	(847,271,169)
Increase in trade and other payables	(40,273,795)	129,702,284
Cash generated by operations	513,878,620	246,762,791
Finance cost paid	(111,358,400)	(123,581,998)
Employees' benefits paid	(22,482,403)	(17,088,971)
Income taxes paid	(96,213,182)	(83,781,241)
Long term deposits	(577,640)	697,300
	(230,631,625)	(223,754,910)
Net cash generated from operating activities	283,246,995	23,007,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3,837,712	6,210,000
Proceeds from disposal of investment available for sale	702,210	-
Purchase of property, plant and equipment	(842,716,718)	(75,906,092)
Net cash used in investing activities	(838,176,796)	(69,696,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term loans	620,240,702	-
Payment of liability against assets subject to finance lease	(1,699,570)	(5,024,797)
Short term bank borrowings	(26,337,521)	132,050,000
Dividend paid	(60,022,835)	(59,906,890)
Net cash from financing activities	532,180,776	67,118,313
Net increase / (decrease) in cash and cash equivalents	(22,749,025)	20,430,102
Cash and cash equivalents at the beginning of the year	53,183,616	32,753,514
Cash and cash equivalents at the end of the year	30,434,591	53,183,616

The annexed notes from 1 to 51 form an integral part of these financial statements.

Karachi:
Date: 23rd September 2014


Khurram Salim
Chief Executive


Mohammad Shakeel
Director

Statement of Changes in Equity For The Year Ended June 30, 2014

	Share capital	General reserve	Available for sale financial assets	Unappropriated profits	Total
	Rupees				
Balance as at June 30, 2012	30,000,000	2,300,200,000	(200,000)	90,340,988	2,420,340,988
Total comprehensive income for the year - Restated	-	-	20,000	586,996,349	587,016,349
Transfer to general reserve	-	499,980,000	-	(499,980,000)	-
Final dividend paid for the year ended June 30, 2012 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Balance as at June 30, 2013	30,000,000	2,800,180,000	(180,000)	117,357,337	2,947,357,337
Total comprehensive income for the year	-	-	180,000	400,950,315	401,130,315
Final dividend paid for the year ended June 30, 2013 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Transfer to general reserve	-	349,820,000	-	(349,820,000)	-
Balance as at June 30, 2014	30,000,000	3,150,000,000	-	108,487,652	3,288,487,652

The annexed notes from 1 to 51 form an integral part of these financial statements.



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 23rd September 2014

Notes to the financial statements For the year ended June 30, 2014

1 THE COMPANY AND ITS OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use Of Estimates And Judgments

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

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

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

2.5 Standards, interpretations and amendments to published approved accounting standards

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

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

Standards, interpretations and amendments	Description
---	-------------

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Notes to the financial statements For the year ended June 30, 2014

Standards, interpretations and amendments

a) Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information

Description

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. The amendment is effective from accounting period beginning on or after January 01, 2013.

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

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

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

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

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

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

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

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

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

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

g) **The amendments to IAS 19 - Employee Benefits** is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursuing paragraph. These changes are considered as change in policy.

IAS 19 'Employee benefits' was revised in June 2011. The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gains or losses in the Other Comprehensive Income (OCI) immediately as they occur. In accordance with the transitional provisions as set out in IAS 19 (Revised), the Company has applied the revised standard retrospectively and, consequently the earliest periods presented in the profit and loss account, statement of comprehensive income and the statement of changes in equity have been restated. The impact of retrospective application of IAS 19 (Revised) is as follows:

BHANERO TEXTILE MILLS LIMITED



Notes to the financial statements For the year ended June 30, 2014

	Employees' Retirement benefit obligations	Other Comprehensive Income – Remeasurement of employees' retirement benefits - Actuarial loss
	Rupees	Rupees
Balance as at 30th June, 2013 - as previously reported	92,004,945	-
Restatement - Recognition of remeasurement loss in OCI	-	(7,670,252)
Balance as at 30th June, 2013 - Restated	92,004,945	(7,670,252)
	2014 <i>Rupees</i>	2013 <i>Rupees</i>
Impact on profit or loss		
Decrease in cost of sales	7,181,095	6,388,761
Decrease/(increase) in administrative expenses	1,054,894	1,281,491
Decrease in deferred tax	(923,302)	(885,171)
Increase in profit after taxation	7,312,687	6,785,081

There is no unrecognized actuarial gain / (loss) as on 30th June 2013 and 30th June 2012. The company has already recognized the all actuarial loss as on 30th June 2013 and 30th June 2012. The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on earnings per share and statement of cash flows is immaterial. There is no effect of change in accounting policy on balance sheet.

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

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.

Standards, interpretations and amendments

Amendments to IAS 19 Employee Benefits: Employee contributions

Description

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective from accounting period beginning on or after July 01, 2014

Amendments to IAS 19 - Employee Benefits

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss in other comprehensive income in the period of initial application. The amendment is effective from accounting period beginning on or after January 01, 2014.

Notes to the financial statements For the year ended June 30, 2014

Standards, interpretations and amendments

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

Description

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

IAS 36 Impairment of Assets - Recoverable Amount
Disclosures for Non-Financial Assets

"The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and
- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

The amendment is effective effective from accounting period beginning on or after January 01, 2014."

IAS 39 Financial Instruments: Recognition and
Measurement - Novation of Derivatives and Continuation
of Hedge Accounting

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditioned are met.t off in accordance with IAS 32. The amendment is effective effective from accounting period beginning on or after January 01, 2014.

IFRIC 21 - Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The standard is effective effective from accounting period beginning on or after January 01, 2014.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan till 30th June 2014:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

**Notes to the financial statements
For the year ended June 30, 2014**

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.

3.3 Taxation

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

Current

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

Deferred

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

**Notes to the financial statements
For the year ended June 30, 2014**

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

3.4 Provisions

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

3.5 Trade and other payables

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

3.6 Dividend

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

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

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

Subsequent cost

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

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note except for equipment and other assets. Equipment and other assets are depreciated over the period of three years. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

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

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

Impairment

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

Leased assets

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

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

Notes to the financial statements For the year ended June 30, 2014

3.8 Capital work in progress

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

3.9 Investments

Investment available for sale

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

3.10 Derivative financial instruments

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

3.11 Stores and spares

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

3.12 Stock-in-trade

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

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

Valuation of raw material, work in process and finished goods as on 30th June 2014 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

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

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

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

3.13 Trade debts and other receivables

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

3.14 Cash and cash equivalents

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

Notes to the financial statements For the year ended June 30, 2014

3.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer. Interest income is recognized on the basis of constant periodic rate of return.

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

3.16 Borrowing costs

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

3.17 Impairment

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

3.18 Foreign currency translation

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

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

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Transactions with related party

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

3.21 Segment reporting

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

Notes to the financial statements For the year ended June 30, 2014

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

30-Jun-14	30-Jun-13		30-Jun-14	30-Jun-13
Number of shares			Rupees	Rupees
1,762,500	1,762,500	Ordinary shares of PKR 10 each allotted for consideration'- fully paid in cash	17,625,000	17,625,000
1,237,500	1,237,500	Ordinary shares of Rs 10. each allotted as bonus shares	12,375,000	12,375,000
3,000,000	3,000,000		30,000,000	30,000,000

5.1 Associated company holds 500,600 (2013: 500,600) ordinary shares of Rs. 10 each in the company.

6 RESERVES

General reserve	3,150,000,000	2,800,180,000
Available for sale financial assets	-	(180,000)
	3,150,000,000	2,800,000,000

7 LONG TERM FINANCING - SECURED

From Financial Institutions

		LTFF Loans	Non - LTFF Loans	30-Jun-14 Rupees	30-Jun-13 Rupees
Bank Al Habib Limited - Term Loan	7.1	128,073,559	-	128,073,559	-
Bank Al Habib Limited - Term Loan	7.2	27,383,480	-	27,383,480	-
Meezan Bank Limited - Term Loan	7.3	-	122,608,000	122,608,000	-
Meezan Bank Limited - Term Loan	7.4	-	13,216,125	13,216,125	-
Meezan Bank Limited - Term Loan	7.5	-	94,068,760	94,068,760	-
Meezan Bank Limited - Term Loan	7.6	-	234,890,778	234,890,778	-
		155,457,039	464,783,663	620,240,702	-
Less: current maturity		-	-	-	-
		155,457,039	464,783,663	620,240,702	-

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.1 Hypothecation charge on plant and machinery of PKR 267.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura.	Repayable in twenty four quarterly installments, commencing from August 20, 2015.	8.85% (2013: Nil)	-
7.2 Covered under securities for term finance 7.1	Repayable in twenty four quarterly installments, commencing from August 28, 2015.	8.85% (2013: Nil)	-
7.3 Hypothecation charge on plant and machinery of PKR 666.7 million of unit II located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura.	Repayable in twenty four quarterly installments, commencing from October 15, 2015.	-	3 Months KIBOR + 0.65% (2013: Nil)

Notes to the financial statements For the year ended June 30, 2014

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.4 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from October 15, 2015.	-	3 Months KIBOR + 0.65% (2013: Nil)
7.5 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from October 15, 2015.	-	3 Months KIBOR + 0.65% (2013: Nil)
7.6 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from October 15, 2015.	-	3 Months KIBOR + 0.65% (2013:Nil)

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 13.74% (2013: 13.74% to 15.3%) 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.

	2014 Rupees	2013 Rupees
Present value of minimum lease payments	-	1,699,570
Current portion	13	(1,699,570)
	-	-

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	-	1,732,721
Later than one year but not later than five years	-	-
	-	1,732,721
Finance charges allocated to future period	-	(33,151)
Not later than one year	-	-
Later than one year but not later than five years	-	(33,151)
Present value of minimum lease payments	-	1,699,570
Not later than one year	-	1,699,570
Later than one year but not later than five years	-	-
	-	1,699,570
Current portion	-	(1,699,570)
	-	-

9 DEFERRED LIABILITIES

Employee benefits	9.3	103,621,394	92,004,945
Deferred taxation	9.4	19,904,725	38,361,226
Infrastructure fee	9.5	34,585,600	24,592,136
		158,111,719	154,958,307

9.1 Actuarial valuation has been carried out internally by the management of the Company as at June 30, 2014 using the projected unit credit method assuming a discount rate of 10% (2013: 9%) per annum and expected rate of increase in salaries at 10% (2013: 9%) per annum.

Notes to the financial statements For the year ended June 30, 2014

9.2 The Company has applied the requirements of IAS 19 (Revised) retrospectively by recognizing the remeasurement losses in Other Comprehensive Income. Consequently, the earliest period presented in Profit and loss account, Statement of Comprehensive Income and the Statement of Changes in Equity has been restated. There is no unrecognized actuarial gain / (loss) as on 30th June 2013 and 30th June 2012. The company has already recognized the all actuarial loss as on 30th June 2013 and 30th June 2012. The full policy disclosure and the related reclassifications have been more fully explained in note 2.5.1(g) to these financial statements.

	2014 Rupees	2013 Rupees
9.3 Movement in net liability recognized in the balance sheet		
Present value of defined benefits obligation - at the beginning of the year	92,004,945	78,963,739
Charged to profit and loss account and comprehensive income 9.3.1	34,098,852	30,130,177
Benefits paid during the year	(22,482,403)	(17,088,971)
Present value of defined benefits obligation - at the end of the year	103,621,394	92,004,945

9.3.1 The following amounts have been charged to the profit and loss account and comprehensive income during the current year

Current service cost	18,058,878	15,552,960
Interest cost	7,803,985	6,906,965
Actuarial (gains) / losses recognized during the year	8,235,989	7,670,252
Net amount chargeable to profit and loss account and comprehensive income	34,098,852	30,130,177

9.3.2 There is no unrecognized actuarial loss / gain.

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
9.3.3 Historical information					
Present value of defined benefits obligation	103,621,394	92,004,945	78,963,739	66,767,999	52,780,190
Experience adjustments on plan liabilities	8,235,989	7,670,252	3,103,547	2,218,777	866,220

9.3.4 The expected gratuity expense for the year ending 30th June 2015 works out to PKR 37,849,726.

	30-Jun-14 Rupees	30-Jun-13 Rupees
9.4 Deferred taxation		
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation on owned assets	39,695,038	59,375,806
Provision for employee benefit	(11,616,562)	(11,266,410)
Finance lease	-	222,486
Provision for doubtful debts	(8,173,751)	(9,948,614)
Provision for diminution in value of investments	-	(22,042)
	(19,790,313)	(21,014,580)
	19,904,725	38,361,226

9.5 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 34.694 Million (June 30, 2013: PKR 25.094 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

Notes to the financial statements For the year ended June 30, 2014

		30-Jun-14 Rupees	30-Jun-13 Rupees
10 TRADE AND OTHER PAYABLES			
Creditors	10.1	237,465,333	287,039,982
Accrued liabilities		110,820,464	145,419,626
Workers' Profit Participation Fund	10.2	27,599,662	32,940,751
Workers Welfare Fund	33.1	48,574,309	-
Unclaimed dividend		462,527	485,362
Others		1,857,974	1,191,178
		<u>426,780,269</u>	<u>467,076,899</u>

10.1 The outstanding balance of associated undertaking as at 30th June 2014 is Rs. 17.32 Million (June 2013: 46.2 Million).

10.2 Workers' profit participation fund

Opening balance		32,940,751	19,831,381
Interest on funds utilized in the Company's business	10.2.1	5,615,703	5,168,122
		<u>38,556,454</u>	<u>24,999,503</u>
Paid to the fund		<u>(38,556,454)</u>	<u>(24,999,503)</u>
		-	-
Allocation for the year		27,599,662	32,940,751
		<u>27,599,662</u>	<u>32,940,751</u>

10.2.1 Interest on workers' profit participation fund has been provided @ 150% (2013: 150%) per annum.

11 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Mark-up accrued on secured:

- long-term financing		5,498,567	-
- short-term borrowings		15,959,622	5,980,563
		<u>21,458,189</u>	<u>5,980,563</u>

12 SHORT TERM BORROWINGS - SECURED

From banking companies

Short term loan	12.2	802,212,479	828,550,000
		<u>802,212,479</u>	<u>828,550,000</u>

12.1 The aggregate approved short term borrowing facilities amounting to PKR 5.360 billion (2013: PKR 5.960 billion).

12.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.1% to 2% (2013: 1 to 3 month KIBOR + spreads between 0.1% to 2.5%) per annum payable quarterly. These are secured against joint hypothecation charge on stock and receivables.

13 CURRENT PORTION OF LONG TERM BORROWINGS

Liabilities against assets subject to finance lease	8	-	1,699,570
		<u>-</u>	<u>1,699,570</u>

14 CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company has issued post dated cheques amounting to PKR 73,896,878 (2013: PKR 5,677,878) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The post dated cheques furnished by the company are likely to be released after the fulfillment of term of related SROs.

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

14.2 Bank guarantee issued to Sui Northern Gas Pipeline Company Limited amounting to PKR 43.759 Million (2013: PKR 43.759 million).

	30-Jun-14 Rupees	30-Jun-13 Rupees
14.3 Bills discounted	<u>265,893,910</u>	<u>278,932,397</u>
<i>Commitments</i>		
Letter of credit (for store, raw material and machinery)	<u>52,135,414</u>	<u>250,747,185</u>
Capital work in progress	<u>9,000,000</u>	<u>-</u>

15 PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2014

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2014	Rate
	As at July 01, 2013	Additions / (disposals)	Transfers	As at June 30, 2014	As at July 01, 2013	For the year	Transfers / (disposal)	As at June 30, 2014		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	194,766,156	49,984,901	-	244,751,057	-	-	-	-	244,751,057	-
Building on leasehold land	129,391,895	-	-	129,391,895	79,200,780	5,221,058	-	84,421,838	44,970,057	10%
Building on freehold land	292,624,875	-	-	292,624,875	174,622,274	11,444,109	-	186,066,383	106,558,492	10%
Office premises on leasehold land	30,044,675	-	-	30,044,675	13,320,408	836,213	-	14,156,621	15,888,054	5%
Office premises on freehold land	83,897,771	350,800	-	84,248,571	29,358,445	2,728,428	-	32,086,873	52,161,698	5%
Plant and machinery	2,413,422,111	70,992,163	-	2,482,401,374	1,406,313,535	104,567,916	(594,002)	1,510,287,449	972,113,925	10%
		(2,012,900)	-			-	-			
Equipments and other assets	40,286,296	20,306,528	-	60,592,824	24,655,000	8,157,169	-	32,812,169	27,780,655	Three years
Electric Installation	21,749,872	-	-	21,749,872	11,796,326	995,355	-	12,791,681	8,958,191	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	3,792,592	338,770	-	4,131,362	3,048,927	10%
Cooling towers	5,223,570	-	-	5,223,570	2,674,754	254,882	-	2,929,636	2,293,934	10%
Ventilation system	1,461,897	-	-	1,461,897	730,305	73,159	-	803,464	658,433	10%
Boiler	18,244,925	-	-	18,244,925	7,735,193	911,974	-	8,647,167	9,597,758	10%
Factory equipments	13,607,029	-	-	13,607,029	11,627,681	201,876	-	11,829,557	1,777,472	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,852,802	141,746	-	3,994,548	1,323,560	10%
Office equipments	20,245,336	-	-	20,245,336	14,774,845	544,839	-	15,319,684	4,925,652	10%
Furniture and fixtures - Office	872,972	-	-	872,972	654,407	21,857	-	676,264	196,708	10%
Vehicles	74,581,138	15,791,437	6,278,790	91,112,555	39,901,604	8,728,577	2,729,181	47,575,275	43,537,280	20%
		(5,538,810)				-	(3,784,087)			
	3,353,352,329	157,425,829	6,278,790	3,509,505,238	1,825,010,951	145,167,928	2,729,181	1,968,529,971	1,540,975,267	
	-	(7,551,710)	-		-	-	(4,378,089)	-	-	
Assets subject to finance lease										
Vehicles	6,278,790	-	(6,278,790)	-	2,729,181	-	(2,729,181)	-	-	20%
	6,278,790	-	(6,278,790)	-	2,729,181	-	(2,729,181)	-	-	
June 30, 2014	3,359,631,119	157,425,829	-	3,509,505,238	1,827,740,132	145,167,928	-	1,968,529,971	1,540,975,267	
	-	(7,551,710)	-	-	-	-	(4,378,089)	-	-	

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2013

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2013	Rate
	As at July 01, 2012	Additions / (disposals)	Transfers	As at June 30, 2013	As at July 01, 2012	For the year	Transfers / (disposal)	As at June 30, 2013		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	148,324,234	46,441,922	-	194,766,156	-	-	-	-	194,766,156	-
Building on leasehold land	125,780,097	3,611,798	-	129,391,895	69,871,536	9,329,244	-	79,200,780	50,191,115	10%
Building on freehold land	291,204,249	1,420,626	-	292,624,875	165,612,800	9,009,474	-	174,622,274	118,002,601	10%
Office premises on leasehold land	29,618,120	426,555	-	30,044,675	12,442,054	878,354	-	13,320,408	16,724,267	5%
Office premises on freehold land	83,897,771	-	-	83,897,771	26,487,955	2,870,490	-	29,358,445	54,539,326	5%
Plant and machinery	2,360,752,807	80,615,140	-	2,413,422,111	1,320,927,909	109,862,173	(24,476,547)	1,406,313,535	1,007,108,576	10%
	-	(27,945,836)	-	-	-	-	-	-	-	-
Equipments and other assets	28,432,490	11,853,806	-	40,286,296	21,706,233	2,948,767	-	24,655,000	15,631,296	Three years
Electric Installation	21,749,872	-	-	21,749,872	10,690,376	1,105,950	-	11,796,326	9,953,546	10%
Gas line and pipe	7,180,289	-	-	7,180,289	3,416,181	376,411	-	3,792,592	3,387,697	10%
Cooling towers	5,223,570	-	-	5,223,570	2,391,552	283,202	-	2,674,754	2,548,816	10%
Ventilation system	1,461,897	-	-	1,461,897	649,017	81,288	-	730,305	731,592	10%
Boiler	18,244,925	-	-	18,244,925	6,721,888	1,013,305	-	7,735,193	10,509,732	10%
Factory equipments	13,607,029	-	-	13,607,029	11,355,532	272,149	-	11,627,681	1,979,348	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,743,146	109,656	-	3,852,802	1,465,306	10%
Office equipments	20,245,336	-	-	20,245,336	14,169,468	605,377	-	14,774,845	5,470,491	10%
Furniture and fixtures - Office	872,972	-	-	872,972	630,122	24,285	-	654,407	218,565	10%
Vehicles	60,673,722	9,349,099	8,639,450	74,581,138	31,222,194	8,132,995	3,510,330	39,901,604	34,679,534	20%
	-	(4,081,133)	-	-	-	-	(2,963,915)	-	-	-
	3,223,020,902	153,718,946	8,639,450	3,353,352,329	1,702,037,963	146,903,120	(20,966,217)	1,825,010,951	1,528,341,378	
	-	(32,026,969)	-	-	-	-	(2,963,915)	-	-	
Assets subject to finance lease										
Vehicles	14,918,240	-	(8,639,450)	6,278,790	5,352,109	887,402	(3,510,330)	2,729,181	3,549,609	20%
	14,918,240	-	(8,639,450)	6,278,790	5,352,109	887,402	(3,510,330)	2,729,181	3,549,609	
June 30, 2013	3,237,939,142	153,718,946	8,639,450	3,359,631,119	1,707,390,072	147,790,522	(24,476,547)	1,827,740,132	1,531,890,987	
	-	(32,026,969)	-	-	-	-	(2,963,915)	-	-	

15.1 Equipment and other assets includes assets amounting to PKR 15,710,241 (2013: PKR 15,710,241) which has been fully depreciated.

15.2 Depreciation of plant and machinery includes the write off plant and machinery amounting to PKR 412,436 (2013: Nil) having cost of PKR 4,371,758 and accumulated depreciation of PKR 3,959,322.

		June 30, 2014 Rupees	June 30, 2013 Rupees
15.3 The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	29	135,821,154	138,030,807
Administrative expenses	32	9,346,774	9,759,715
		<u>145,167,928</u>	<u>147,790,522</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

15.4 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2014

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

Year Ended June 30, 2013

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

30-Jun-14
Rupees

30-Jun-13
Rupees

16 CAPITAL WORK IN PROGRESS

Building and other civil work	27,107,466	-
Machinery	645,625,135	-
Electric installation	52,851,292	40,293,004
	725,583,893	40,293,004

BHANERO TEXTILE MILLS LIMITED



Notes to the financial statements For the year ended June 30, 2014

17 LONG TERM INVESTMENTS		30-Jun-14 Rupees	30-Jun-13 Rupees
Available for sale			
50,000 ordinary shares of Rs. 10 each.	17.1	-	500,000
Provision for diminution in the value of investments	17.2	-	(180,000)
		<u>-</u>	<u>320,000</u>

17.1 The investment was made in listed company, Taha Spinning Mills Limited, which was available for sale.

17.2 The market value of these shares was nil (June 2013: PKR 6.4 per share).

18 LONG TERM DEPOSITS		30-Jun-14 Rupees	30-Jun-13 Rupees
Electricity		10,795,160	10,492,520
Telephone		33,600	33,600
Others		391,676	116,676
		<u>11,220,436</u>	<u>10,642,796</u>

19 STORES, SPARES AND LOOSE TOOLS

Stores and spares		55,058,140	47,067,427
Packing material		7,605,096	6,054,581
		<u>62,663,236</u>	<u>53,122,008</u>

19.1 No item of stores, spares and loose tools is pledged as security as at reporting date.

20 STOCK IN TRADE

Raw material	20.1	1,699,180,899	1,633,232,525
Raw material in transit		-	131,084,416
Work in process		104,974,775	89,631,044
Finished goods	20.2	357,527,107	271,132,596
Waste		2,456,051	2,673,688
		<u>2,164,138,832</u>	<u>2,127,754,269</u>

20.1 Raw material stock cost PKR 1,071,324,234 (2013: PKR Nil) have been valued at PKR 924,652,210 (2013: PKR Nil) being the replacement cost of raw material

20.2 Finished goods stock cost PKR 287,180,015 (2013: PKR Nil) has been valued at PKR 256,442,527 (2013: PKR Nil) being the replacement value of finished goods.

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

21 TRADE DEBTS

Foreign - secured against letter of credit		138,429,808	26,679,837
Local - unsecured - considered good		362,503,108	388,209,323
Local - unsecured - considered doubtful		68,367,549	75,254,744
		569,300,465	490,143,904
Provision for doubtful debts.	21.1	(68,367,549)	(75,254,744)
		<u>500,932,916</u>	<u>414,889,160</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

		30-Jun-14 Rupees	30-Jun-13 Rupees
21.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		75,254,744	39,352,443
Bad debts provision provided during the year		-	36,052,301
Bad debts recovered during the year		<u>(6,887,195)</u>	<u>(150,000)</u>
Provision for bad debts at the end of year		<u>68,367,549</u>	<u>75,254,744</u>
22 LOANS AND ADVANCES			
Advances to :			
Suppliers - unsecured but considered good		25,492,476	16,655,994
Suppliers - unsecured and considered doubtful		309,001	309,001
Employees - Secured considered good		13,063,094	13,317,494
Employees - Un-secured considered doubtful		<u>1,165,000</u>	<u>1,165,000</u>
		40,029,571	31,447,489
Provision for doubtful supplier advances	22.1	<u>(1,474,001)</u>	<u>(1,474,001)</u>
		<u>38,555,570</u>	<u>29,973,488</u>
22.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		1,474,001	1,474,001
Bad debts provision provided during the year		-	-
Bad debts recovered during the year		-	-
Provision for bad debts at the end of year		<u>1,474,001</u>	<u>1,474,001</u>
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		4,840,000	810,000
Deposits against infrastructure fees	23.1	34,694,654	25,094,654
Short term prepayments		-	618,000
Prepaid expenses		804,029	1,378,765
Margin against letter of credit		<u>75,257</u>	<u>1,010,765</u>
		<u>40,413,940</u>	<u>28,912,184</u>
23.1			
Effective mark up rate on these deposits range from 7% to 8% (June 30, 2013: 8% to 9.50%) per annum.			
24 OTHER RECEIVABLES - UNSECURED			
KMC refundable - Considered doubtful		680,624	680,624
Other receivables - Considered good		3,783,880	3,949,932
		4,464,504	4,630,556
Provision for doubtful receivables		<u>(680,624)</u>	<u>(680,624)</u>
		<u>3,783,880</u>	<u>3,949,932</u>
25 INCOME TAX REFUNDABLE			
Income tax refundable		35,579,181	39,221,665
Advance income tax		121,958,854	83,910,915
		157,538,035	123,132,580
Provision for taxation - Current year		<u>(79,121,073)</u>	<u>(63,054,804)</u>
Provision for taxation - Prior years		<u>(1,599,775)</u>	<u>-</u>
		<u>(80,720,848)</u>	<u>(63,054,804)</u>
		<u>76,817,187</u>	<u>60,077,776</u>

BHANERO TEXTILE MILLS LIMITED



Notes to the financial statements For the year ended June 30, 2014

	30-Jun-14 Rupees	30-Jun-13 Rupees
26 SALES TAX REFUNDABLE		
Sales tax and federal excise duty refundable	121,771,262	50,613,456
Federal excise duty and 1% Special excise duty refundable	2,382,217	3,084,628
Provision for non refundable	(2,382,217)	(3,084,628)
	-	-
	121,771,262	50,613,456
27 CASH AND BANK BALANCES		
Balances with banks on:		
Current accounts	24,659,173	47,377,128
Foreign currency account - current	5,775,418	5,806,488
	30,434,591	53,183,616
28 SALES - NET		
Export		
Yarn	4,057,081,509	3,454,971,543
Fabric	2,530,141,516	2,341,104,445
	6,587,223,025	5,796,075,988
Export Rebate	767,358	2,029,862
	6,587,990,383	5,798,105,850
Local		
Yarn	888,913,826	864,944,139
Fabric	234,145,283	219,505,826
Cotton and polyester	389,746,130	86,855,910
Waste and others	63,644,376	52,003,446
	1,576,449,615	1,233,252,002
	8,164,439,998	7,031,357,852
Discount	(90,824)	(43,978)
Sales tax	(103,577,231)	(33,897,028)
	(103,668,055)	(33,941,006)
	8,060,771,943	6,997,416,846

28.1 Export sales includes exchange gain of PKR 48,728,943 (2013: PKR 43,851,057).

28.2 Export sales includes PKR 3,634.412 Million (2013: PKR 3,934.388 Million) in respect of indirect export sales.

		30-Jun-14 Rupees	30-Jun-13 Restated Rupees
29 COST OF GOODS SOLD			
Raw material consumed	29.1	4,448,316,434	3,927,221,856
Packing material consumed		68,686,204	57,485,131
Stores, spares and loose tools		156,225,499	174,406,333
Salaries, wages and benefits	29.2	443,500,122	417,387,017
Processing charges		12,000	16,258,055
Fees and Subscription		82,320	81,145
Fuel .power and water		1,172,736,452	830,918,066
Electricity duty		1,288,800	1,615,589
Insurance		21,023,023	19,532,890
Vehicle running and maintenance		8,879,858	8,124,682

BHANERO TEXTILE MILLS LIMITED



Notes to the financial statements For the year ended June 30, 2014

	30-Jun-14	30-Jun-13
	Rupees	Restated Rupees
Rent, rate and taxes	517,381	539,035
Repairs and maintenance	11,400,675	13,286,319
Communication	857,072	811,622
Traveling and conveyance	1,893,989	1,559,492
Depreciation	15.3 135,821,154	138,030,807
Fixed Asset impaired	-	-
Raw material impaired	-	1,488,825
Others	2,858,324	3,712,492
	<u>6,474,099,307</u>	<u>5,612,459,356</u>
Work in process		
Opening stock	89,631,044	95,537,511
Stock burnt during process	-	(238,435)
Closing stock	(104,974,775)	(89,631,044)
	<u>(15,343,731)</u>	<u>5,668,032</u>
Cost of goods manufactured	6,458,755,576	5,618,127,388
Cost of cotton sold	29.3 386,725,696	87,223,853
Finished stocks		
Opening stock	273,806,284	180,366,675
Finished goods purchases	335,585,346	285,937,518
Cost of finished goods theft	-	(96,030)
Closing stock	(359,983,158)	(273,806,284)
	<u>249,408,472</u>	<u>192,401,879</u>
	<u>7,094,889,744</u>	<u>5,897,753,120</u>
29.1 Raw material consumed		
Opening stock	1,764,316,941	1,097,030,240
Purchases - net	4,771,780,487	4,697,014,784
	<u>6,536,097,428</u>	<u>5,794,045,024</u>
Cost of raw material sold	(388,600,095)	(101,017,402)
Raw material impaired	-	(1,488,825)
Closing stock	(1,699,180,899)	(1,764,316,941)
	<u>4,448,316,434</u>	<u>3,927,221,856</u>
29.2 Salaries, wages and benefits includes employees benefits amounting to PKR 20,684,737 (June 30, 2013: Restated PKR 17,580,153).		
29.3 Cost of cotton and polyester sold		
Cost of purchases	361,024,513	85,298,512
Salaries, wages and other benefits	579,060	133,380
Loading and unloading	29,761	7,572
Insurance	2,037,912	254,907
Commission	1,058,258	-
Finance cost	21,996,192	1,529,482
	<u>386,725,696</u>	<u>87,223,853</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

		30-Jun-14 Rupees	30-Jun-13 Rupees
30 OTHER INCOME			
Income from financial assets			
Interest income		2,344,081	1,892,766
Gain on sale of investment available for sales		202,210	-
Exchange gain / (loss)		-	(60,819)
Excise Duty recovered		695,777	-
Bad debts recovered		6,887,195	150,000
		<u>10,129,263</u>	<u>1,981,947</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		664,091	1,623,493
Rental income		689,858	677,508
		<u>1,353,949</u>	<u>2,301,001</u>
		<u>11,483,212</u>	<u>4,282,948</u>
31 DISTRIBUTION COST			
Export			
Freight on export sales		46,023,040	35,979,330
Commission on export sales		55,490,010	48,719,458
Export development surcharge		7,185,830	4,549,700
Sales Promotion Expenses		1,278,829	1,309,744
Others		5,474,376	3,204,353
		<u>115,452,085</u>	<u>93,762,585</u>
Local			
Salaries and wages		926,817	846,415
Freight on local sales		17,564,742	17,542,654
Commission on local sales		54,150,332	60,499,711
Quality claim		304,400	1,753,577
Others		963,958	1,068,264
		<u>73,910,249</u>	<u>81,710,621</u>
		<u>189,362,334</u>	<u>175,473,206</u>
32 ADMINISTRATIVE EXPENSES		30-Jun-14	30-Jun-13 Restated
		Rupees	Rupees
Directors' remuneration	38	8,400,000	3,960,000
Staff salaries and benefits	32.1	60,187,025	54,333,384
Traveling, conveyance and entertainment		9,501,427	7,956,643
Printing and stationery		1,955,066	2,095,395
Communication		3,091,470	2,548,629
Vehicles running and maintenance		10,622,959	10,373,194
Legal and professional		1,209,170	1,250,500
Auditors' remuneration	32.2	1,410,000	1,281,500
Fee and subscription		3,586,964	3,946,799
Repair and maintenance		1,278,906	1,551,716
Depreciation	15.3	9,346,774	9,759,715
Rent, rates and utilities		1,440,206	1,290,479
Donation	32.3	850,000	1,325,000
Bad Debts	21.1	-	36,769,012
Inadmissible input		196,133	8,464
Software license renewal and maintenance fee		-	2,162,752
Others		1,713,406	1,646,899
		<u>114,789,506</u>	<u>142,260,081</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

32.1 Salaries, wages and benefits includes employees benefits amounting to PKR 5,178,775 (June 30, 2013 : Restated PKR 4,879,772).

32.2 Auditors' remuneration

Annual statutory audit	1,210,000	1,100,000
Half yearly review	160,000	145,500
Code of Corporate Governance review	40,000	36,000
	<u>1,410,000</u>	<u>1,281,500</u>

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

33 OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	10.2	27,599,662	32,940,751
Workers' Welfare Fund	33.1	48,574,309	-
		<u>76,173,971</u>	<u>32,940,751</u>

33.1 It includes the provision for Workers' Welfare Fund for the year ended 30th June 2014 amounting to PKR 10,172,060 and PKR 38,402,193 for the tax year 2011 to 2013. The company has recognised the WWF liability of earlier years. The company has filed the appeal before the Supreme Court of Pakistan against the decision of Sindh High Court. The case is pending before the Supreme Court of Pakistan.

34 FINANCE COST

Mark-up on:

- long-term financing		5,498,567	-
- short-term borrowings		94,828,234	102,820,807
- liabilities against assets subject to finance lease		32,529	455,804
- workers' profit participation fund	10.2	5,615,703	5,168,122
		105,975,033	108,444,733
Bank charges and commission		2,113,276	2,242,146
Letter of credits discounting		18,747,717	14,209,356
		<u>126,836,026</u>	<u>124,896,235</u>

35 PROVISION FOR TAXATION

Current

- for the year	35.1	79,121,073	63,054,804
- for prior years		352,698	(257,986)
		79,473,771	62,796,818

Deferred

	9.4	(17,533,199)	(28,201,847)
		<u>61,940,572</u>	<u>34,594,971</u>

35.1 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 2013.

30-Jun-14

30-Jun-13

35.2 Numerical reconciliation between the average tax rate and the applicable tax rate

		%	%
Applicable tax rate		34.00	35.00
Tax effect of amounts that are:			
adjustment of the prior years		0.07	(0.04)
income chargeable to tax at different rate		(12.31)	(18.87)
deferred tax		(3.75)	(4.67)
others		(1.48)	-
		<u>(17.47)</u>	<u>(23.58)</u>
Effective tax rate		<u>16.53</u>	<u>11.42</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

	30-Jun-14	30-Jun-13 Restated
	Rupees	Rupees
36 EARNINGS PER SHARE - BASIC AND DILUTED	136.09	197.93

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)

408,263,002	593,781,430
-------------	-------------

Number of shares

30-Jun-14	30-Jun-13
-----------	-----------

Weighted average number of ordinary shares for the purpose of basic earnings
per share

3,000,000	3,000,000
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Basic earnings per share have been computed by dividing earnings as stated above with weighted average number
of ordinary shares.

Basic earnings per share	Rupees	136.09	197.93
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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.

37 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 23rd September 2014 has proposed to pay cash
dividend of @ 200% i.e. PKR 20 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders
at the forthcoming annual general meeting.

38 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive		Director		Total	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Remuneration	4,400,000	2,280,000	4,000,000	1,680,000	8,400,000	3,960,000
Number of persons	1	1	1	1	2	2

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

39 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2014 is as follows:

39.1 Operating Results

	Spinning		Weaving		Power Generation		Total	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
Sales								
Export sales	1,328,158,031	895,023,761	1,622,823,536	955,320,423	-	-	2,950,981,567	1,850,344,184
Local sales	1,331,272,202	992,486,259	245,177,413	240,765,743	-	-	1,576,449,615	1,233,252,002
Custom rebate	268,991	-	498,367	2,029,862	-	-	767,358	2,029,862
Inter-segment sales	-	-	-	-	81,556,839	145,539,338	81,556,839	145,539,338
	5,364,444,846	4,445,472,822	2,799,995,152	2,585,885,030	81,556,839	145,539,338	8,245,996,837	7,176,897,190

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2014

	Spinning		Weaving		Power Generation		Total	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
Discount and sales tax								
Discount	(90,824)	(43,978)	-	-	-	-	(90,824)	(43,978)
Sales tax	(72,825,305)	(24,382,779)	(30,751,926)	(9,514,249)	-	-	(103,577,231)	(33,897,028)
	<u>(72,916,129)</u>	<u>(24,426,757)</u>	<u>(30,751,926)</u>	<u>(9,514,249)</u>	<u>-</u>	<u>-</u>	<u>(103,668,055)</u>	<u>(33,941,006)</u>
Net sales	5,291,528,717	4,421,046,065	2,769,243,226	2,576,370,781	81,556,839	145,539,338	8,142,328,782	7,142,956,184
Cost of sales	4,566,839,963	3,489,447,850	2,505,331,040	2,408,034,378	104,275,580	145,810,230	7,176,446,583	6,043,292,458
Gross profit	724,688,754	931,598,215	263,912,186	168,336,403	(22,718,741)	(270,892)	965,882,199	1,099,663,726
Distribution cost	120,376,406	111,017,850	68,985,928	64,455,356	-	-	189,362,334	175,473,206
Administrative cost	96,227,404	88,689,945	18,449,326	53,361,163	112,776	208,973	114,789,506	142,260,081
	<u>216,603,810</u>	<u>199,707,795</u>	<u>87,435,254</u>	<u>117,816,519</u>	<u>112,776</u>	<u>208,973</u>	<u>304,151,840</u>	<u>317,733,287</u>
Operating result	<u>508,084,944</u>	<u>731,890,420</u>	<u>176,476,932</u>	<u>50,519,884</u>	<u>(22,831,517)</u>	<u>(479,865)</u>	<u>661,730,359</u>	<u>781,930,439</u>
39.2 Segment assets	3,748,903,285	3,208,225,756	1,219,752,443	939,369,981	98,412,457	107,460,727	5,067,068,185	4,255,056,464
Unallocated assets							250,222,825	150,566,212
							<u>5,317,291,010</u>	<u>4,405,622,676</u>
39.3 Segment liabilities	1,521,782,962	1,212,700,366	434,579,927	163,387,547	17,487,617	18,738,702	1,973,850,506	1,394,826,615
Unallocated liabilities							54,952,852	63,438,724
							<u>2,028,803,358</u>	<u>1,458,265,339</u>

39.4 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.

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

	2014	2013
	Rupees	Rupees
40.1 Turnover		
Total turnover for reportable segments	8,142,328,782	7,142,956,184
Elimination of inter-segment turnover	(81,556,839)	(145,539,338)
Total turnover	<u>8,060,771,943</u>	<u>6,997,416,846</u>
40.2 Cost of sales		
Total cost of sales for reportable segments	7,176,446,583	6,043,292,458
Elimination of inter-segment revenue	(64,737,780)	(145,539,338)
Total cost of sales	<u>7,111,708,803</u>	<u>5,897,753,120</u>
40.3 Assets		
Total assets for reportable segments	5,067,068,185	4,255,056,464
Taxation recoverable	76,817,187	60,077,776
Sales tax refundable	121,771,262	50,613,456
Trade deposits	40,413,940	28,912,184
Long term investment	-	320,000
Long term deposit	11,220,436	10,642,796
Total assets	<u>5,317,291,010</u>	<u>4,405,622,676</u>
40.4 Liabilities		
Total liabilities for reportable segments	1,973,850,506	1,394,826,615
Unclaimed dividends	462,527	485,362
Infrastructure fee	34,585,600	24,592,136
Deferred taxation	19,904,725	38,361,226
Total liabilities	<u>2,028,803,358</u>	<u>1,458,265,339</u>

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Notes to the financial statements For the year ended June 30, 2014

	Spinning		Weaving		Power Generation		Total	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
41 Cost of sales								
Raw material consumed	41.1 2,557,229,264	2,083,752,366	1,891,087,170	1,843,469,490	-	-	4,448,316,434	3,927,221,856
Packing material consumed	61,770,847	51,685,070	6,915,357	5,800,061	-	-	68,686,204	57,485,131
Stores and spare parts	105,732,892	118,735,106	45,245,029	49,636,563	5,247,578	6,034,664	156,225,499	174,406,333
Salaries, wages and benefits	341,564,027	319,041,515	95,588,833	92,276,641	6,347,262	6,068,861	443,500,122	417,387,017
Processing charges	-	10,731,400	-	5,526,655	12,000	-	12,000	16,258,055
Fees and subscription	73,770	59,545	8,550	9,600	-	12,000	82,320	81,145
Fuel, power and water								
Inter-segment	16,819,059	-	64,737,780	145,539,338	-	-	81,556,839	145,539,338
Others	746,727,309	527,812,499	350,716,111	187,375,294	75,293,032	115,730,273	1,172,736,452	830,918,066
	763,546,368	527,812,499	415,453,891	332,914,632	75,293,032	115,730,273	1,254,293,291	976,457,404
Electricity duty	-	-	-	-	1,288,800	1,615,589	1,288,800	1,615,589
Insurance	14,114,350	11,848,790	3,161,348	3,915,704	3,747,325	3,768,396	21,023,023	19,532,890
Vehicle running and maintenance	6,882,320	6,266,901	1,779,492	1,671,549	218,046	186,232	8,879,858	8,124,682
Rent, rates and taxes	499,921	495,225	15,640	41,990	1,820	1,820	517,381	539,035
Repair and maintenance	8,247,121	9,797,294	1,696,915	2,870,616	1,456,639	618,409	11,400,675	13,286,319
Communication	611,501	590,692	245,571	220,930	-	-	857,072	811,622
Travelling and conveyance and entertainment	1,668,562	1,366,000	146,544	144,434	78,883	49,058	1,893,989	1,559,492
Depreciation	73,186,450	74,824,116	52,102,756	51,504,531	10,531,948	11,702,160	135,821,154	138,030,807
Raw material impaired	-	1,488,825	-	-	-	-	-	1,488,825
Others	1,622,809	2,571,548	1,183,268	1,118,176	52,247	22,768	2,858,324	3,712,492
	3,936,750,202	3,221,066,892	2,514,630,364	2,391,121,572	104,275,580	145,810,230	6,555,656,146	5,757,998,694
Work in process								
Opening stock	46,715,496	50,261,027	42,915,548	45,276,484	-	-	89,631,044	95,537,511
Work in process lost / burnt	-	(238,435)	-	-	-	-	-	(238,435)
Closing stock	(46,242,012)	(46,715,496)	(58,732,763)	(42,915,548)	-	-	(104,974,775)	(89,631,044)
	473,484	3,307,096	(15,817,215)	2,360,936	-	-	(15,343,731)	5,668,032
Cost of goods manufactured	3,937,223,686	3,224,373,988	2,498,813,149	2,393,482,508	104,275,580	145,810,230	6,540,312,415	5,763,666,726
Cost of cotton sold	386,725,696	87,223,853	-	-	-	-	386,725,696	87,223,853
Finished stocks								
Opening stock	193,563,321	101,327,832	80,242,963	79,038,843	-	-	273,806,284	180,366,675
Finished goods purchased	307,255,354	270,181,528	28,329,992	15,755,990	-	-	335,585,346	285,937,518
Finished goods theft	-	(96,030)	-	-	-	-	-	(96,030)
Closing stock	(257,928,094)	(193,563,321)	(102,055,064)	(80,242,963)	-	-	(359,983,158)	(273,806,284)
	242,890,581	177,850,009	6,517,891	14,551,870	-	-	249,408,472	192,401,879
	4,566,839,963	3,489,447,850	2,505,331,040	2,408,034,378	104,275,580	145,810,230	7,176,446,583	6,043,292,458
41.1 Raw material consumed								
Opening stock	1,636,580,552	1,041,971,015	127,736,389	55,059,225	-	-	1,764,316,941	1,097,030,240
Purchases								
Inter-segment	-	-	-	-	-	-	-	-
Others	2,845,956,774	2,765,149,240	1,925,823,713	1,931,865,544	-	-	4,771,780,487	4,697,014,784
	2,845,956,774	2,765,149,240	1,925,823,713	1,931,865,544	-	-	4,771,780,487	4,697,014,784
Raw material sold - cotton(361,024,513)	(85,298,512)	-	-	-	-	-	(361,024,513)	(85,298,512)
Raw material impaired	-	(1,488,825)	-	-	-	-	-	(1,488,825)
Raw material sold - yarn	-	-	(27,575,582)	(15,718,890)	-	-	(27,575,582)	(15,718,890)
Closing stock	(1,564,283,549)	(1,636,580,552)	(134,897,350)	(127,736,389)	-	-	(1,699,180,899)	(1,764,316,941)
	2,557,229,264	2,083,752,366	1,891,087,170	1,843,469,490	-	-	4,448,316,434	3,927,221,856

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Notes to the financial statements For the year ended June 30, 2014

	Spinning		Weaving		Power Generation		Total	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
41.2 Cost of cotton sold								
Cost of purchase	361,024,513	85,298,512	-	-	-	-	361,024,513	85,298,512
Salaries, wages and other benefits	579,060	133,380	-	-	-	-	579,060	133,380
Loading and unloading	29,761	7,572	-	-	-	-	29,761	7,572
Insurance	2,037,912	254,907	-	-	-	-	2,037,912	254,907
Commission	1,058,258	-	-	-	-	-	1,058,258	-
Finance cost	21,996,192	1,529,482	-	-	-	-	21,996,192	1,529,482
	<u>386,725,696</u>	<u>87,223,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,725,696</u>	<u>87,223,853</u>
42 Distribution cost								
Export								
Ocean freight and forwarding	26,772,965	22,259,693	19,250,075	13,719,637	-	-	46,023,040	35,979,330
Export development surcharge	3,140,338	2,239,911	4,045,492	2,309,789	-	-	7,185,830	4,549,700
Commission	25,354,390	16,221,885	30,135,620	32,497,573	-	-	55,490,010	48,719,458
Sales Promotion Expenses	747,397	773,366	531,432	536,378	-	-	1,278,829	1,309,744
Others	917,608	801,701	4,556,768	2,402,652	-	-	5,474,376	3,204,353
	<u>56,932,698</u>	<u>42,296,556</u>	<u>58,519,387</u>	<u>51,466,029</u>	<u>-</u>	<u>-</u>	<u>115,452,085</u>	<u>93,762,585</u>
Local								
Salaries and wages	926,817	846,415	-	-	-	-	926,817	846,415
Inland transportation	17,441,492	17,378,279	123,250	164,375	-	-	17,564,742	17,542,654
Commission	43,807,041	47,674,759	10,343,291	12,824,952	-	-	54,150,332	60,499,711
Quality claim	304,400	1,753,577	-	-	-	-	304,400	1,753,577
Others	963,958	1,068,264	-	-	-	-	963,958	1,068,264
	<u>63,443,708</u>	<u>68,721,294</u>	<u>10,466,541</u>	<u>12,989,327</u>	<u>-</u>	<u>-</u>	<u>73,910,249</u>	<u>81,710,621</u>
	<u>120,376,406</u>	<u>111,017,850</u>	<u>68,985,928</u>	<u>64,455,356</u>	<u>-</u>	<u>-</u>	<u>189,362,334</u>	<u>175,473,206</u>
43 Administrative cost								
Directors' remuneration	8,400,000	3,960,000	-	-	-	-	8,400,000	3,960,000
Staff salaries and benefits	50,990,738	45,886,772	9,196,287	8,446,612	-	-	60,187,025	54,333,384
Traveling, conveyance and entertainment	6,598,709	5,354,162	2,902,718	2,602,481	-	-	9,501,427	7,956,643
Printing and stationery	1,652,446	1,602,290	302,420	493,105	200	-	1,955,066	2,095,395
Communication	2,903,410	2,376,741	188,060	171,888	-	-	3,091,470	2,548,629
Vehicles running and maintenance	8,513,116	8,350,900	2,109,843	2,022,294	-	-	10,622,959	10,373,194
Legal and professional	1,002,170	1,055,500	107,000	-	100,000	195,000	1,209,170	1,250,500
Auditors' remuneration	940,334	854,333	469,666	427,167	-	-	1,410,000	1,281,500
Fee and subscription	2,519,465	3,237,324	1,067,499	709,475	-	-	3,586,964	3,946,799
Repair and maintenance	1,247,671	1,517,516	31,235	34,200	-	-	1,278,906	1,551,716
Depreciation	7,599,829	7,922,939	1,734,369	1,822,803	12,576	13,973	9,346,774	9,759,715
Rent, rates and utilities	1,440,206	1,290,479	-	-	-	-	1,440,206	1,290,479
Donation	750,000	950,000	100,000	375,000	-	-	850,000	1,325,000
Bad Debts	-	716,711	-	36,052,301	-	-	-	36,769,012
Inadmissible input	196,133	8,464	-	-	-	-	196,133	8,464
Software license renewal and maintenance fee	-	2,162,752	-	-	-	-	-	2,162,752
Others	1,473,177	1,443,062	240,229	203,837	-	-	1,713,406	1,646,899
	<u>96,227,404</u>	<u>88,689,945</u>	<u>18,449,326</u>	<u>53,361,163</u>	<u>112,776</u>	<u>208,973</u>	<u>114,789,506</u>	<u>142,260,081</u>

44 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, 2014 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

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Notes to the financial statements For the year ended June 30, 2014

Long-term deposits

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

Non-current liabilities

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

Other financial instruments

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

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

	2014							
	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	500,932,916	-	500,932,916	500,932,916	
Loans and advances	-	-	-	38,555,570	-	38,555,570	38,555,570	
Trade deposits	34,694,654	-	34,694,654	5,719,286	-	5,719,286	40,413,940	7 to 8
Other receivables	-	-	-	3,783,880	-	3,783,880	3,783,880	
Bank balances	-	-	-	30,434,591	-	30,434,591	30,434,591	
Long-term deposits	-	-	-	-	11,220,436	11,220,436	11,220,436	
Long term investments	-	-	-	-	-	-	-	
	<u>34,694,654</u>	<u>-</u>	<u>34,694,654</u>	<u>579,426,243</u>	<u>11,220,436</u>	<u>590,646,679</u>	<u>625,341,333</u>	
Financial liabilities								
Long-term financing	-	620,240,702	620,240,702	-	-	-	620,240,702	8.85 to 15.3 and KIBOR + 0.65
Trade and other payables	27,599,662	-	27,599,662	399,180,607	-	399,180,607	426,780,269	
Mark-up accrued on loans	-	-	-	21,458,189	-	21,458,189	21,458,189	
Short-term borrowings	802,212,479	-	802,212,479	-	-	-	802,212,479	KIBOR + 0.1 to 2
	<u>829,812,141</u>	<u>620,240,702</u>	<u>1,450,052,843</u>	<u>420,638,796</u>	<u>-</u>	<u>420,638,796</u>	<u>1,870,691,639</u>	
On balance sheet gap	<u>(795,117,487)</u>	<u>(620,240,702)</u>	<u>(1,415,358,189)</u>	<u>158,787,447</u>	<u>11,220,436</u>	<u>170,007,883</u>	<u>(1,245,350,306)</u>	

Contingencies and commitments

Post dated cheques	73,896,878
Bill discounted	265,893,910
Guarantees (Note 9.5 and Note 14.2)	78,454,329
Letters of credit	52,135,414
Civil work	9,000,000

	2013							
	Interest / Markup bearing			Non Interest / Markup bearing			Total	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	414,889,160	-	414,889,160	414,889,160	
Loans and advances	-	-	-	29,973,488	-	29,973,488	29,973,488	
Trade deposits	25,094,654	-	25,094,654	3,817,530	-	3,817,530	28,912,184	8 to 9.5
Other receivables	-	-	-	3,949,932	-	3,949,932	3,949,932	
Bank balances	-	-	-	53,183,616	-	53,183,616	53,183,616	
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	10,642,796	10,642,796	10,642,796	
Long term investments	-	-	-	-	320,000	320,000	320,000	
	<u>25,094,654</u>	<u>-</u>	<u>25,094,654</u>	<u>505,813,726</u>	<u>10,962,796</u>	<u>516,776,522</u>	<u>541,871,176</u>	

Notes to the financial statements For the year ended June 30, 2014

2013

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial liabilities								
Long-term financing	1,699,570	-	1,699,570	-	-	-	1,699,570	
Trade and other payables	32,940,751	-	32,940,751	434,136,148	-	434,136,148	467,076,899	13.74 to 15.30
Mark-up accrued on loans	-	-	-	5,980,563	-	5,980,563	5,980,563	
Short-term borrowings	828,550,000	-	828,550,000	-	-	-	828,550,000	
	863,190,321	-	863,190,321	440,116,711	-	440,116,711	1,303,307,032	KIBOR + 0.1 to 2.5
On balance sheet gap	(838,095,667)	-	(838,095,667)	65,697,015	10,962,796	76,659,811	(761,435,856)	

Contingencies and commitments

Post dated cheques	5,677,878
Bill discounted	278,932,397
Guarantees (Note 9.5 and Note 14.2)	68,854,329
Letters of credit	250,747,185
Civil work	-

44.1 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.

44.2 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 625,365,783 (June 30, 2013: PKR 541,871,176), unsecured local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 543,296,816 (June 30, 2013: PKR 448,812,580) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

44.3 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.

44.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2014, the total foreign currency risk exposure was PKR 144,205,226 (June 30, 2013: PKR 32,486,325) in respect of foreign trade debts.

44.5 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."

Notes to the financial statements For the year ended June 30, 2014

44.6 Credit risk

44.6.1 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:

	June 30, 2014 Rupees	June 30, 2013 Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	11,220,436	10,642,796
Trade receivables	500,932,916	414,889,160
Loan and advances	38,555,570	29,973,488
Refundable trade deposits	40,413,940	28,912,184
Other receivables	3,783,880	3,949,932
Cash at banks	30,434,591	53,183,616
	625,341,333	541,551,176
Available for sale financial assets	-	320,000
	625,341,333	541,871,176

44.6.2 Concentration of credit risk

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

Domestic	430,870,657	463,464,067
Europe	34,789,740	-
United States of America	13,252,440	-
Asia and Middle East	87,361,276	26,679,837
Africa	-	-
Other regions	3,026,352	-
	569,300,465	490,143,904

44.6.3 Impairment losses

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

Not past due	438,858,313	414,889,160
Past due less than one year	59,927,399	68,275,770
Past due more than one year but less than three years	2,147,204	309,001
Past due more than three years	68,367,549	6,978,974
	569,300,465	490,452,905

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

As at beginning of the year	76,728,745	40,826,444
Impairment loss recognized	-	36,052,301
Impairment loss reversed	(6,887,195)	(150,000)
As at end of the year	69,841,550	76,728,745

Notes to the financial statements For the year ended June 30, 2014

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.

44.6.4 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.

44.7 Liquidity risk

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

	As at June 30, 2014				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Long term finances	620,240,702	832,978,193	-	620,240,702	-
Long term payables	34,585,600	34,585,600	-	34,585,600	-
Short term borrowings	802,212,479	886,444,789	886,444,789	-	-
Mark-up accrued on borrowings	21,458,189	21,458,189	21,458,189	-	-
Trade creditors	237,465,333	237,465,333	237,465,333	-	-
Accrued liabilities	110,820,464	110,820,464	110,820,464	-	-
Unclaimed dividend	462,527	462,527	462,527	-	-
Other payables	29,457,636	29,457,636	29,457,636	-	-
	<u>1,856,702,930</u>	<u>2,153,672,731</u>	<u>1,286,108,938</u>	<u>654,826,302</u>	<u>-</u>

	As at June 30, 2013				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Liabilities against assets subject to finance lease	1,699,570	1,732,721	1,699,570	-	-
Long term payables	24,592,136	24,592,136	-	24,592,136	-
Short term borrowings	828,550,000	915,547,750	915,547,750	-	-
Mark-up accrued on borrowings	5,980,563	5,980,563	5,980,563	-	-
Trade creditors	287,039,982	287,039,982	287,039,982	-	-
Accrued liabilities	145,419,626	145,419,626	145,419,626	-	-
Unclaimed dividend	485,362	485,362	485,362	-	-
Other payables	34,131,929	34,131,929	34,131,929	-	-
	<u>1,327,899,168</u>	<u>1,414,930,069</u>	<u>1,390,304,782</u>	<u>24,592,136</u>	<u>-</u>

44.8 Market risk

44.8.1 Currency risk

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

	June 30, 2014 Rupees	June 30, 2013 Rupees
Trade receivables	138,429,808	26,679,837
Cash and cash equivalents	5,775,418	5,806,488
Total exposure	<u>144,205,226</u>	<u>32,486,325</u>

Notes to the financial statements For the year ended June 30, 2014

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 98.55 / USD (2013: PKR 99.25 / USD). Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 95.6754 / USD (2013: PKR 96.32 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 14,420,523 (2013: PKR 3,248,633). 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.

	June 30, 2014	June 30, 2013
	Rupees	Rupees
44.8.2 Interest rate risk		
The interest rate profile the Company's interest bearing financial instruments as at the reporting date is as follows:		
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	155,457,039	-
Variable rate instruments		
Financial assets	34,694,654	25,094,654
Financial liabilities	1,266,996,142	830,249,570

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 12,678,348 (2013: PKR 8,302,496). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

44.9 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.

45 TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Transaction with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 9.3.1, 10.1 and 38 are as follow :

		30-Jun-14	30-Jun-13
		Rupees	Rupees
Nature of relationship	Nature of transactions		
Associated undertaking	Sales of yarn	587,634,763	605,047,265
	Sales of fabric	94,307	130,390
	Sales of cotton	21,259,308	53,680,985
	Services rendered	689,858	8,778,060
	Purchase of yarn	197,789,825	262,963,929
	Purchase of fabrics	777,042	37,842
	Purchase of cotton	4,935,086	146,820,154
	Purchase electricity	849,633,393	549,871,954
	Purchase of machinery, stores, spare parts and loose tools	-	2,760,800
	Services received	300,000	3,341,259
Retirement benefits			
Key management	Provision for gratuity	34,098,852	30,130,177
	Remuneration	8,400,000	3,960,000

Notes to the financial statements For the year ended June 30, 2014

46 Accounting Estimates and Judgments

46.1 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.

46.2 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.

46.3 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.

46.4 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 2014 has been made using the following accounting estimates and judgments;

Raw Material Valuation

Due to erratic variation in cotton price in the month of June 2014, July 2014, August 2014 and September 2014 ranging from PKR 5,400 per mound to PKR 6,700, 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 2014, August 2014 and September 2014. The value of raw cotton as on 30th June 2014 has been reduced by PKR 146,672,024 due to above effect.

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 2014 has been reduced by PKR 30,737,488 due to carrying stock at net realisable value.

Work in Process Valuation

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

46.5 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."

47 PLANT CAPACITY AND ACTUAL PRODUCTION

	30-Jun-14	30-Jun-13
Spinning		
Number of spindles installed	69,312	68,736
Number of looms installed	140	140
Number of spindles worked	69,312	68,736
Number of looms worked	140	140
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,388,285	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	25,495,688	24,162,615
Installed capacity of fabric after conversion into 50 picks - meters	26,166,485	26,166,485
Actual production of fabric after conversion into 50 picks - meters	24,163,308	24,212,723

Notes to the financial statements For the year ended June 30, 2014

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.

48 NUMBER OF EMPLOYEES	30-Jun-14	30-Jun-13
The number of employees for the year ended	1,397	1,394

49 DATE OF AUTHORIZATION FOR ISSUE

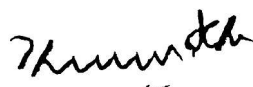
These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 23rd September 2014.

50 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison.

51 GENERAL

The figures have been rounded off to the nearest Rupee.



Khurrum Salim
Chief Executive

Karachi:

Date: 23rd September 2014



Mohammad Shakeel
Director

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2014**

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
188	1	100	9,007
39	101	500	11,411
9	501	1000	7,798
12	1001	5000	28,800
2	5001	10000	14,084
2	10001	15000	26,400
2	20001	25000	43,984
1	25001	30000	29,872
1	40001	45000	42,780
4	50001	55000	204,938
3	55001	60000	176,142
3	60001	65000	181,600
3	70001	75000	216,400
2	80001	85000	165,600
2	155001	160000	317,900
1	170001	175000	170,400
1	250001	255000	250,176
1	265001	270000	267,825
1	330001	335000	334,283
1	500001	505000	500,600
278			3,000,000

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

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2014**

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer and their spouse and minor children	18	1,537,460	51.25
2	Associated Companies, Undertaking and Related Parties	9	1,309,040	43.63
3	NIT & ICP	-	-	-
4	Bank / Financial Institution	1	148	0.00
5	Insurance Companies	1	70,500	2.36
6	General Public / Individuals	247	82,247	2.74
7	Joint Stock Companies	1	600	0.02
8	Others Company	1	5	0.00
		278	3,000,000	100.00

List of Shareholders As At 30 June, 2014

Sr #	Shareholder Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES		
	ADMIRAL (PVT) LTD	16.69	500,600
	MR. FARRUKH SALEEM	2.02	60,600
	MR. YOUSUF SALEEM	1.69	50,674
	MR. SAQIB SALEEM	1.68	50,490
	MR. MUHAMMAD QASIM	5.28	158,400
	MR. FAISAL SHAKEEL	8.34	250,176
	MRS. SABA YOUSUF	2.76	82,700
	MRS. SABA SAQIB	2.76	82,900
	MRS. SADAF FARRUKH	2.42	72,500
2	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MUHAMMAD SALEEM	0.73	21,929
	MR. MUHAMMAD SHARIF	0.47	14,000
	MR. MUHAMMAD SHAHEEN	1.43	42,780
	MR. MUHAMMAD SHAKEEL	0.74	22,055
	MR. KHURRAM SALEEM	2.02	60,500
	MR. BILAL SHARIF	2.02	60,500
	MR. MUHAMMAD AMIN	5.32	159,500
	MR. ADIL SHAKEEL	8.93	267,825
	MRS. YASMIN BEGUM	1.01	30,372
	MRS. SEEMA BEGUM	1.78	53,292
	MRS. NAZLI BEGUM	1.68	50,482
	MRS. AMNA KHURRAM	2.45	73,400
	MRS. SAMIA BILAL	11.14	334,283
	MRS. FATIMA AMIN	5.68	170,400
	MASTER ABDULLAH BILAL	1.96	58,787
	MASTER AZAAN BILAL	1.96	58,678
	MASTER ALI BILAL	1.96	58,677
3	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.35	70,500
	HABIB METROPOLITAN BANK LIMITED	0.00	148
4	JOINT STOCK COMPANIES		
	S.S.CORPORATION (PVT) LTD	0.02	600
5	INDIVIDUAL SHAREHOLDERS	2.74	82,247
6	OTHERS COMPANY	0.00	5
	TOTAL	100.00	3,000,000

List of Shareholders As At 30 June, 2014

Sr #	Shareholder Category	Percentage	No. of Shares
7	DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN		
8	SHAREHOLDERS HOLDING 5% OR MORE		
	MR. MUHAMMAD QASIM	5.28	158,400
	MR. FAISAL SHAKEEL	8.34	250,176
	MR. MUHAMMAD AMIN	5.32	159,500
	MR. ADIL SHAKEEL	8.93	267,825
	MRS. SAMIA BILAL	11.14	334,283
	MRS. FATIMA AMIN	5.68	170,400
	ADMIRAL (PVT) LTD	16.69	500,600

Year wise Operating Data

Year Ended 30th June

2014	2013	2012	2011	2010	2009
------	------	------	------	------	------

Spinning Unit

Spindle installed	69,312	69,312	68,736	68,736	68,736	68,736
Spindle worked	69,312	69,312	68,736	68,736	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,388,285	23,388,285	23,200,746	23,200,746	23,200,746	23,200,746
Actual production after conversion in to 20/s count (Kgs)	25,495,688	25,611,349	24,162,615	25,694,021	26,019,888	26,346,958

Weaving Unit

Air jet looms installed	140	140	140	140	140	140
Air jet looms worked	140	140	140	140	140	140
Installed capacity after conversion into 50 picks - (meters)	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485
Actual production after conversion into 50 picks - (meters)	24,163,308	24,332,549	24,212,723	27,527,198	23,665,124	24,985,060

Year wise Financial Data

Year Ended 30th June

	2014	2013	2012	2011	2010	2009
Rupees in Thousands						
Turnover (Net)	8,060,772	6,997,417	6,372,946	7,545,581	4,800,841	3,781,556
Gross profit	965,882	1,099,613	810,253	1,477,484	901,722	496,257
Operating profit	597,040	745,602	510,744	1,157,360	650,569	389,412
Financial expenses	126,836	124,896	144,613	224,088	231,441	289,788
Profit before tax	470,204	620,706	366,131	933,272	419,128	99,624
Profit after tax	408,263	593,781	306,488	863,199	421,836	80,874
Cash dividend	60,000	60,000	90,000	60,000	6,000	6,000
Transfer to reserves	349,820	499,980	300,200	700,000	400,000	50,000
Profit carried forward	108,488	117,357	90,340	173,752	70,553	54,716
Sales growth percentage - Year to Year basis	15.20%	9.80%	-15.54%	57.17%	26.95%	8.75%
Gross profit ratio	11.98%	15.71%	12.71%	19.58%	18.78%	13.12%
Profit before tax	5.83%	8.87%	5.75%	12.37%	8.73%	2.63%
Profit after tax	5.06%	8.48%	4.81%	11.44%	8.79%	2.14%
Fixed assets	1,540,975	1,531,890	1,530,549	1,534,156	1,573,154	1,724,335
Current assets	3,039,511	2,822,476	1,970,559	2,202,001	1,517,201	1,366,386
Shareholder equity	3,288,488	2,947,357	2,420,340	2,203,752	1,400,553	984,716
Long term liabilities	620,241	-	1,681	6,728	89,184	518,333
Short term loan	802,212	828,550	696,500	897,607	716,291	891,074
Current liabilities	1,250,451	1,303,307	1,043,490	1,430,481	1,418,424	1,339,149
Current portion of long term loans	-	1,699	5,042	188,259	435,325	213,225
Current ratio	2.43	2.17	1.89	1.54	1.07	1.02
Gearing ratio	0.43	0.28	0.29	0.50	0.89	1.65

PROXY FORM

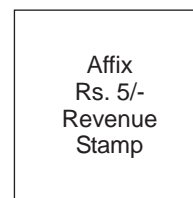
I/We _____
of _____
being a member of **BHANERO TEXTILE MILLS LIMITED** and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 35th Annual General Meeting of the Company to be held on
Monday 27th October 2014 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



CNIC/Passport #

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

Signed this _____ day of _____ 2014

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