



of Companies

33rd Annual Report 2012

UMER GROUP OF COMPANIES

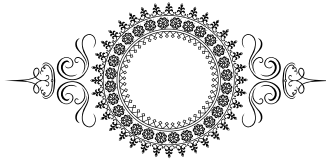
BHANERO TEXTILE MILLS LIMITED

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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. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Anwar Hussain, FCA	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Executive Director Non Executive Director Non Executive Director / Chairman Non Executive Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Adil Shakeel Mr. Mohammad Shakeel	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Bilal Sharif Mr. Mohammad Amin Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Barclays Bank Plc Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited HSBC Middle East Bank Limited MCB Bank Limited Meezan Bank Limited Faysal Bank Ltd. Standard Charted 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, Shekhupura, Punjab. Tel: 056 3731723	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 33rd Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Wednesday 24th October 2012 at 4:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 27th October 2011.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2012 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @200% (i.e. PKR 20.0 per share) for the year ended 30th June, 2012, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2012-2013 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(By the order of the Board)

Syed Ashraf Ali

FCA

Company Secretary

Karachi:
Dated: 24th September, 2012

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 20th October 2012 to 27th October, 2012 (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 19th October 2012 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2012.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.

Directors' Report

The board of directors of **Bhanero Textile Mills Limited** is pleased to present the thirty third annual report and the audited financial statements of the company for the year ended June 30, 2012. This report presents the financial, operational, human resource, and corporate responsibility performance of the company, and highlights the key business challenges faced by us during the year.

Overview

By the blessing of Allah Al Mighty, company earned profit of PKR 306.488 Million during the year ended 30th June 2012, despite domestic and international economic recession.

Earnings per share of company are PKR 102.16 per share, resulting in even more value for the shareholders.

By the grace of Al-Mighty Allah your company during the financial year ended 30th June 2012 maintained the position among the market leaders both in domestic and international markets.

Textile sector and Economic Overview

Pakistan's textiles sector has been hit hard by the prevailing energy crisis. As per Pakistan Bureau of Statistics, textile sector exports shrank by about one-tenth during the first ten months of the outgoing fiscal year and its share in the country's total exports has also drastically reduced.

Pakistan is the World's fourth largest cotton producers and the third largest consumer of cotton. Cotton-based textiles contribute over 60 percent to country's total exports, 46 percent of the total manufacturing and provide employment to about 38 percent manufacturing labour force. But during the period under review its share in the total exports has reduced to about 52.37 percent.

According to official data, textiles' exports have been contracted by 10.38 percent during 2011-12, as its total exports stood at USD 12.356 billion against USD 11.219 billion in same period of last year. In the sub-groups, only raw cotton exports increased by 26.65 percent while other products' exports in textiles, which involve value addition and need energy, all have reduced. Overall in the sector, cotton yarn export down by 18.48 percent, cotton cloth 6.42 percent, bed wear 16.3 percent, knitwear 14.37 percent, readymade garments down by 7.84 percent and towels exports down by 10.25 percent over the period last year.

No concrete steps have so far been taken by government in order to overcome the energy crises. Government must work on war footing in order to solve the energy crises and achieve the GDP growth of 4% and above.

Furthermore, higher inflation in the country is another major cause of concern. This was mainly due to rising commodity prices, weakening of the rupee due to stoppage of foreign exchange liquidity support for oil imports by the SBP, modest recovery in the domestic economy due to an increase in aggregate demand and upward adjustments of power and fuel tariffs. Due to higher inflation, cost of production is increasing day by day and affecting the competitiveness in international market.

The GDP grew by 3.7% against the target of 4.2%. The lower growth this year compare to target is partly contributed by upward adjustment of last year's growth from 2.4% to 3%. This year growth is attributed to better crops and improved value addition in construction and finance sectors.

The global economy recovery is threatened by intensifying strains in the euro area and fragilities elsewhere. Unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. According to IMF report the World GDP growth is projected to be 3.9% in financial year ended 30th June 2013 (3.5% in year ended 30th June 2012).

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

Operating Results and Profit Appropriation

Your company continued to perform well despite hardest business and economic conditions and posted profit before taxation for the year ended 30th June 2012 PKR 366.131 Million (30th June 2011: PKR 933.272 Million). The operating results and allocation of profit for the year ended 30th June 2012 is summarized as under;

	2012 Rupees	2011 Rupees
Sales	6,372,946,694	7,545,581,485
Gross profit	810,253,991	1,477,484,385
Profit before taxation	366,131,213	933,272,302
Taxation		
Current year	(65,357,163)	(80,763,410)
Prior year	364,597	(2,080,529)
Deferred	5,350,265	12,770,690
	(59,642,301)	(70,073,249)
Profit after taxation	306,488,912	863,199,053
Un-appropriated profit brought forward	173,752,076	70,553,023
Available for sale financial assets	300,000	-
Profit available for appropriation	480,540,988	933,752,076
Appropriations:		
Dividend paid	(90,000,000)	(60,000,000)
Transferred to General Reserve	(300,200,000)	(700,000,000)
Un-appropriated profit carried forward	90,340,988	173,752,076
	=====	=====
Basic and diluted earning per share	102.16	287.73
	=====	=====

Sales has decreased from PKR 7.545 billion to PKR 6.372 billion due to decrease in cotton prices during the year ended 30th June 2012 as compared to previous ended 30th June 2011. In previous year cotton prices touched all time high of PKR 13,500 per maund whereas in current year under review the highest price of cotton was about PKR 6,700 per maund. Profitability of company has also been affected as compared to previous year due to decrease in prices and demand of cotton, yarn and fabric based on domestic and international recession.

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

Gross profit for the year under review is amounting to PKR 810.253 million as compared to PKR 1,477.484 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 366.131 million as compared to PKR 933.272 million in prior year.

No provision for Workers Welfare Fund amounting to PKR 7.179 million (June 2011: PKR 18.299 million) has been made in view of the judgments of Honorable High Court in writ petition bearing number W.P. No. 8763/2011, declaring the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful.

Dividend

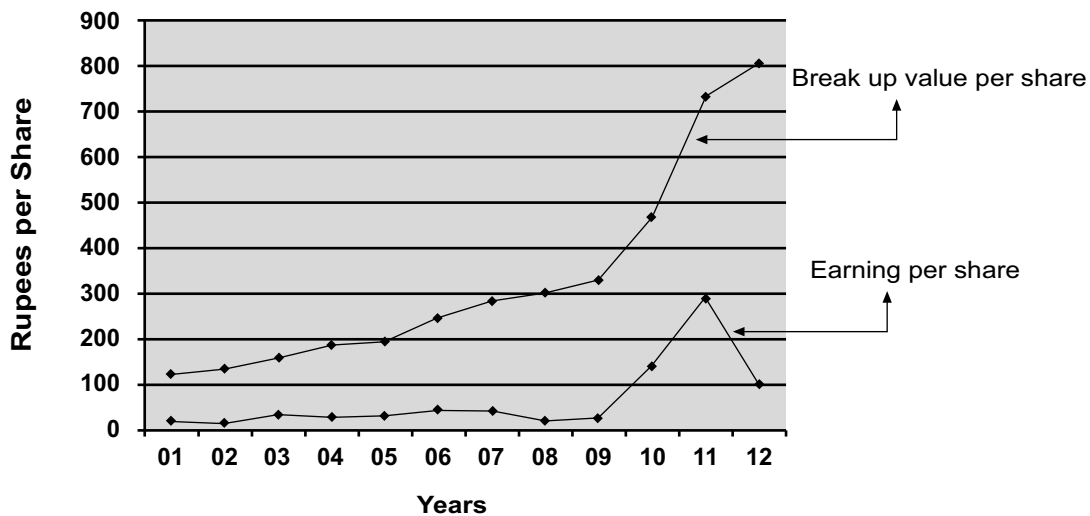
The board of directors is pleased to recommend a final cash dividend of 200% i.e PKR 20.0 per share (June 2011: 300% i.e. PKR 30.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

Balance sheet footing has increased to PKR 3,630.854 million this year. Long term borrowing at the year end reduced to PKR 1.681 million (2011: PKR 6.728 million). Gearing ratio was 0.29 at 30th June 2012 as compared to 0.50 at 30th June 2011. The liquidity position of the company is sound with a current ratio of 1.89 at 30th June 2012 (June 2011: 1.54). The total of shareholders' fund stood at PKR 2.420 Billion (2011: PKR 2.203 Billion).

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2012 is PKR 806.78 (30th June 2011: PKR 734.58). The Earning per Share (EPS) of your company for the year ended 30th June 2012 is PKR 102.16 (30th June 2011: PKR 287.73).



Cash Flow Management

The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings. During the year under review, an amount of PKR 677.523 million (June 2011: PKR 413.464 million) was generated from operating activities which was used on fixed capital expenditures, payment of dividend to the shareholders and repayment of long term finance.

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

Statement on Corporate and Financial Reporting Framework

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

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The company has a very sound balance sheet with excellent gearing ratio and therefore there is no doubt at all about company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
 - Statement of pattern of shareholding has been given separately.
 - Statement of shares held by associated undertakings and related persons.
 - Statement of the board of directors meetings held during the year and attendance by each director has been given separately.
 - Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Related Party transaction and Transfer Pricing

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

Human Resource and Remuneration Committee:

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

- A sound plan of organization for the company
 - An effective employees' development programme
 - Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively
1. To review and advise on the human resource policies of the company and its revision from time to time as and when necessary.
 2. To determine the remuneration and terms of service of the Chief Executive and other non-board of directors of the company including their performance benefits and other benefits such as retirements benefits, perquisite and other contractual terms.
 3. To ensure that the best practices are adopted by the management of the company with emphasis that:
 - a. The people of appropriately high ability and caliber are recruited, retained and motivated by offering market competitive packages
 - b. Clear statement of job description and responsibilities for each individual position are defined for proper performance measurement
 - c. Performance evaluation process / mechanism is in place and carried out annually
 - d. Market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with company's existing pay scale
 4. To review and advice on the training, development and succession planning for the senior management of the company.
 5. To devise a mechanism for the approval of HR related policies of the company.
 6. To recommend any matter of significance to the board of directors.

Audit Committee

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

Financial statements

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

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2012 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.

Expansion Plan

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

However, normal BMR will continue as and when required.

Pattern of Shareholding

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

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 33rd annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 33rd annual general meeting until the conclusion of 34th 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 2013. 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.

Environmental protection measures

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

Corporate Social Responsibility

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

Safety, Health and Environment

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

Business Risks, Challenges and Future Outlook

Total consumption of the local industry is about 15.0 million bales of cotton, against the targeted production of 14.0 bales, showing a shortfall of about a million bales. However after the floods in Punjab and Sindh, the shortfall might be increased. If target production of 14.0 million bales of cotton is achieved then the country will need to import about one million bales otherwise the import will be about 1.5 to 2.5 million bales to meet the domestic requirements.

USDA cotton forecast for 2012/13 projects that global cotton production will increase while consumption rebounds, although consumption remains below production for the third consecutive season. Global cotton consumption for 2012/13 is projected at 110 million bales, a 3-percent increase from last season. Modest growth in world GDP and lower cotton prices relative to polyester are expected to improve cotton's competitiveness and support the rebound. World consumption will be led once again by China, India, and Pakistan, accounting for a combined two-thirds of global cotton consumption in 2012/13.

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

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

The reduction in discount rate by State Bank of Pakistan to 12% is a good step but it is not enough to promote the business activities. The State Bank of Pakistan should consider a further reduction in discount rate to single digit and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market. The results of the First Quarter of the next fiscal year will depend on the direction of cotton prices and recovery of global recession particularly Euro zone.

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

Acknowledgement

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

For and on behalf of the Board of Directors



**Khurram Salim
Chief Exective**

Karachi: 24th September, 2012

Board of Directors Meetings

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

Directors	2011	2012			Total
	27 th Oct	25 th Feb	26 th April	24 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	-	★	3/4
Mr. Mohammad Shaheen	★	-	★	★	3/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	-	★	★	3/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	8/8	6/8	7/8	8/8	29/32

Audit Committee Meetings

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

Directors	2011	2012			Total
	20 th Oct	18 th Feb	19 th April	17 th Sept	
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

REVIEW REPORT TO THE MEMBERS

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the company is listed.

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

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

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:

Date: 24th September 2012

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

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2012**

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

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

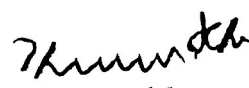
1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than seven listed companies, including this company.
3. The Company has prepared a "Code of Conduct", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred during the year.
6. There is no change in position of Chief Financial Officer, Head of Internal Audit and Company Secretary during the year ended 30th June 2012.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. During the year four meetings of Board of Directors was held. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBF. No director in the board is a member of any Stock exchange in Pakistan.
9. The Board arranged one orientation course for its directors during the year.
10. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
11. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
13. The Board has formed an audit committee. It comprises three members, of whom two 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.

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2012**

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

On and on behalf of the Board of Directors

Karachi:
Date: 24th September 2012



**Khurram Salim
Chief Executive**

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Bhanero Textile Mills Limited as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion;
 - (i) The Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) The expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 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

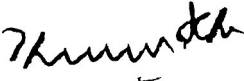
Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A.

Karachi:
Date: 24th September 2012

**Balance Sheet
As At June 30, 2012**

	Note	30 th June, 2012 Rupees	30 th June, 2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2011: 6,000,000) ordinary shares of Rs.10 each		<u>60,000,000</u>	<u>60,000,000</u>
Issued, subscribed and paid up capital	5	30,000,000	30,000,000
Reserves	6	2,300,000,000	2,000,000,000
Unappropriated profit		<u>90,340,988</u>	<u>173,752,076</u>
		2,420,340,988	2,203,752,076
NON CURRENT LIABILITIES			
Long term financing - secured	7	-	-
Liabilities against assets subject to finance lease	8	1,681,992	6,728,887
Deferred liabilities	9	165,341,045	153,729,544
		167,023,037	160,458,431
CURRENT LIABILITIES			
Trade and other payables	10	337,281,505	334,760,949
Mark-up accrued on loans and other payables	11	4,666,326	9,854,397
Short term borrowings - secured	12	696,500,000	897,606,515
Current portion of long term borrowings	13	5,042,375	188,259,318
		1,043,490,206	1,430,481,179
CONTINGENCIES AND COMMITMENTS			
	14	-	-
		<u>3,630,854,231</u>	<u>3,794,691,686</u>

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



**Khurram Salim
Chief Executive**

**Balance Sheet
As At June 30, 2012**

	Note	30 th June, 2012 Rupees	30 th June, 2011 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,530,549,070	1,534,156,375
Capital work in progress	16	118,105,858	45,768,882
Long term investments	17	300,000	200,000
Long term deposit	18	11,340,096	12,585,096
		1,660,295,024	1,592,710,353
CURRENT ASSETS			
Stores, spares and loose tools	19	50,432,501	52,433,819
Stock in trade	20	1,372,934,426	1,547,310,464
Trade debts	21	381,348,469	436,590,590
Loans and advances	22	21,840,911	24,931,936
Trade deposits and short term prepayments	23	20,878,144	19,816,527
Other receivables	24	1,462,916	1,359,781
Income tax refundable	25	39,093,353	30,762,738
Sales tax refundable	26	49,814,973	35,538,797
Cash and bank balances	27	32,753,514	53,236,681
		1,970,559,207	2,201,981,333
		3,630,854,231	3,794,691,686



**Mohammad Shakeel
Director**

**Profit and Loss Account
For The Year Ended June 30, 2012**

	Note	30 th June, 2012 Rupees	30 th June, 2011 Rupees
Sales	28	6,372,946,694	7,545,581,485
Cost of goods sold	29	(5,562,692,703)	(6,068,097,100)
Gross profit		810,253,991	1,477,484,385
Other operating income	30	10,819,745	12,155,577
		821,073,736	1,489,639,962
Distribution cost	31	(191,861,000)	(192,137,857)
Administrative expenses	32	(98,636,151)	(90,363,397)
Other operating expenses	33	(19,831,381)	(49,778,262)
Finance cost	34	(144,613,991)	(224,088,144)
		(454,942,523)	(556,367,660)
Profit before tax		366,131,213	933,272,302
Provision for taxation	35		
Current year		(65,357,163)	(80,763,410)
Prior year		364,597	(2,080,529)
Deferred		5,350,265	12,770,690
		(59,642,301)	(70,073,249)
Profit after tax		306,488,912	863,199,053
Earnings per share - basic and diluted	36	102.16	287.73

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



**Khurram Salim
Chief Executive**

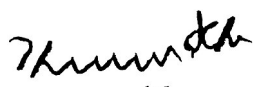


**Mohammad Shakeel
Director**

**Statement of Comprehensive Income
For The Year Ended June 30, 2012**

	Note	30 th June, 2012 Rupees	30 th June, 2011 Rupees
Change in fair value of available for sale financial assets	17	100,000	-
Other comprehensive income before taxation		100,000	-
Taxation		-	-
Other comprehensive income after taxation		100,000	-
Profit for the year after taxation		306,488,912	863,199,053
Total comprehensive Income for the year		<u>306,588,912</u>	<u>863,199,053</u>

The annexed notes form an integral part of these financial statements



**Khurram Salim
Chief Executive**



**Mohammad Shakeel
Director**

**Cash Flow Statement
For The Year Ended June 30, 2012**

	30th June, 2012 Rupees	30th June, 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	366,131,213	933,272,302
Adjustments for:		
Depreciation on property, plant and equipment	150,048,560	151,676,158
Provision for employees' benefits	23,715,993	22,722,565
Infrastructure fee	4,766,026	(17,061,959)
(Gain) / loss due to change in the fair value of investments available for sale	-	(137,000)
(Gain) on disposal of property, plant and equipment	(54,820)	(3,266,050)
Finance cost	144,613,991	224,088,144
Operating cash flows before changes in working capital	689,220,963	1,311,294,160
(Increase)/decrease in current assets		
Inventories	176,377,356	(598,811,914)
Trade debts	55,242,121	(49,360,800)
Loans and advances	3,091,025	(4,085,102)
Trade deposits	(1,061,617)	12,005,837
Other receivables	(103,135)	2,955,514
Sales tax refundable	(14,276,176)	(16,808,156)
	219,269,574	(654,104,621)
Increase in trade and other payables	2,436,940	80,475,283
Cash generated by operations	910,927,477	737,664,822
Finance cost paid	(149,802,062)	(235,190,625)
Employees' benefits paid	(11,520,253)	(8,734,756)
Income taxes paid	(73,323,181)	(88,111,591)
Long term loans	-	10,806,986
Long term deposits	1,245,000	(2,969,900)
	(233,400,496)	(324,199,886)
Net cash generated from operating activities	677,526,981	413,464,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,528,448	5,714,995
Purchase of property, plant and equipment	(220,251,859)	(94,000,204)
Net cash used in investing activities	(218,723,411)	(88,285,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term financing	(179,968,737)	(429,097,605)
Proceed from liability against assets subject to finance lease	-	6,278,790
Payment of liability against assets subject to finance lease	(8,295,101)	(6,701,770)
Short term bank borrowings	(201,106,515)	181,315,288
Dividend paid	(89,916,384)	(59,949,121)
Net cash from financing activities	(479,286,737)	(308,154,418)
Net increase / (decrease) in cash and cash equivalents	(20,483,167)	17,025,309
Cash and cash equivalents at the beginning of the year	53,236,681	36,211,372
Cash and cash equivalents at the end of the year	32,753,514	53,236,681

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

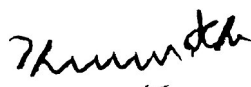
**Khurram Salim
Chief Executive**

**Mohammad Shakeel
Director**

**Statement of Changes in Equity
For The Year Ended June 30, 2012**

	Share capital	General reserve	Available for sale financial assets	Unappropriated profits	Total
	Rupees				
Balance as at June 30, 2010	30,000,000	1,300,000,000	-	70,553,023	1,400,553,023
Profit for the year ended June 30, 2011.	-	-	-	863,199,053	863,199,053
Transfer to general reserve	-	700,000,000	-	(700,000,000)	-
Final dividend paid for the year ended June 30, 2010 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Balance as at June 30, 2011	30,000,000	2,000,000,000	-	173,752,076	2,203,752,076
Transfer of loss at fair value of available for sale financial assets	-	-	(300,000)	300,000	-
Profit for the year ended June 30, 2012.	-	-	-	306,488,912	306,488,912
Other comprehensive income for theyear ended 30 th June 2012	-	-	100,000	-	100,000
Final dividend paid for the year ended June 30, 2011 at the rate of PKR 30.0 per share	-	-	-	(90,000,000)	(90,000,000)
Transfer to general reserve	-	300,200,000	-	(300,200,000)	-
Balance as at June 30, 2012	30,000,000	2,300,200,000	(200,000)	90,340,988	2,420,340,988

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



Khurram Salim
Chief Exective



Mohammad Shakeel
Director

**Notes to the financial statement
For the year ended June 30, 2012**

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 47 to these financial statements.

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

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
Amendment to IAS 1 - Presentation of Financial Statements	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.

**Notes to the financial statement
For the year ended June 30, 2012**

Standards, interpretations and amendments	Description
IAS 24 (as revised in 2009) - Related Party Disclosures	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
Amendment to IAS 34 - Interim Financial Reporting	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
Amendment to IFRS 7 –Disclosures – Transfer of Financial Assets	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.
Amendment to IFRIC 13 - Customer Loyalty Programmes	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

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

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

Standards, interpretations and amendments	Description
IFRS 9 - Financial Instruments: Classification and Measurement	The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

**Notes to the financial statement
For the year ended June 30, 2012**

Standards, interpretations and amendments	Description
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 12 - Income Taxes	The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	"IFRIC 20 considers when and how to account separately for two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The amendment is effective for annual periods beginning on or after January 01, 2012.

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.

**Notes to the financial statement
For the year ended June 30, 2012**

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.

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

3.4 Provisions

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

3.5 Trade and other payables

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

3.6 Dividend

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

3.7 Property, plant and equipment and depreciation

Owned assets

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

Subsequent cost

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

**Notes to the financial statement
For the year ended June 30, 2012**

Depreciation

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

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

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

Impairment

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

Leased assets

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

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

3.8 Capital work in progress

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

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.

In previous years the gain or loss due to change in fair value of investment available for sales was recognised through profit and loss account. Now the company has recognised the gain and loss due to change in fair value of financial assets available for sale through comprehensive income. The diminution in value of investment as on 30th June 2011 amounting to PKR 300,000 has been transferred from unappropriated profit to available for sale financial assets. The amount has been considered as immaterial.

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.

**Notes to the financial statement
For the year ended June 30, 2012**
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 2012 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Whereas the valuation of raw material, work in process and finished goods as on 30th June 2011 have been valued on the net realizable value being the lower of cost as disclosed in Note 46.4

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

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

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

3.13 Trade debts and other receivables

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

3.14 Cash and cash equivalents

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

3.15 Revenue recognition

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

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

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

3.16 Borrowing costs

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

3.17 Impairment

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

**Notes to the financial statement
For the year ended June 30, 2012**
3.18 Foreign currency translation

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

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

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Transactions with related party

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

3.21 Segment reporting

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

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

4 Capital Management

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

		<u>30-Jun-12</u>	<u>30-Jun-11</u>
		Rupees	Rupees
5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
	30-Jun-12	30-Jun-11	
	Number of shares		
	1,762,500	1,762,500	Ordinary shares of PKR 10 each allotted for consideration'- fully paid in cash
	1,237,500	1,237,500	Ordinary shares of Rs 10. each allotted as bonus shares
	<u>3,000,000</u>	<u>3,000,000</u>	
		<u>17,625,000</u>	17,625,000
		<u>12,375,000</u>	12,375,000
		<u>30,000,000</u>	<u>30,000,000</u>
6 RESERVES			
	General reserve	2,300,200,000	2,000,000,000
	Available for sale financial assets	(200,000)	-
		<u>2,300,000,000</u>	<u>2,000,000,000</u>

**Notes to the financial statement
For the year ended June 30, 2012**
7 LONG TERM FINANCING - SECURED
From Financial Institutions

		LTF-EOP loans	NON-LTF loans	30-Jun-12 Rupees	30-Jun-11 Rupees
United Bank Limited - Term Loan	7.1	-	-	-	9,219,040
Habib Bank Limited - Term Loan	7.2	-	-	-	46,033,697
United Bank Limited - Term Loan	7.3	-	-	-	24,716,000
		-	-	-	79,968,737
Less: current maturity					
United Bank Limited - Term Loan	7.1	-	-	-	9,219,040
Habib Bank Limited - Term Loan	7.2	-	-	-	46,033,697
United Bank Limited - Term Loan	7.3	-	-	-	24,716,000
		-	-	-	79,968,737
		-	-	-	-

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.1 First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly installments, commencing from September 16, 2006.	7%	6 months KIBOR+1% (2011: 6 months KIBOR + 1%)
7.2 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by June 24, 2010.	7%	3 months KIBOR+1% (2011: 3 months KIBOR + 1%)
7.3 First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhpura-Faisalabad Road, sheikhpura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	7%	6 months KIBOR + 2.25% (2011 : 6 months KIBOR + 2.25 %)

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payments are payable in thirty six equal monthly installments. The internal rate of return is 14% to 17% (2011: 14% to 17%) per annum are used as discounting factor. The lease agreement contains bargain purchase option. Taxes, repairs, replacement and insurance costs are borne by the company.

**Notes to the financial statement
For the year ended June 30, 2012**

Present value of minimum lease payments		6,724,367	15,019,468
Current portion	13	(5,042,375)	(8,290,581)
		<u>1,681,992</u>	<u>6,728,887</u>

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		5,553,380	8,868,218
Later than one year but not later than five years		1,910,884	6,886,791
		7,464,264	15,755,009
Finance charges allocated to future period		(511,005)	(577,637)
Not later than one year		(228,892)	(157,904)
Later than one year but not later than five years		(739,897)	(735,541)
Present value of minimum lease payments		6,724,367	15,019,468
Not later than one year		5,042,375	8,290,581
Later than one year but not later than five years		1,681,992	6,728,887
		6,724,367	15,019,468
Current portion		(5,042,375)	(8,290,581)
		<u>1,681,992</u>	<u>6,728,887</u>

9 DEFERRED LIABILITIES

Employee benefits	9.2	78,963,739	66,767,999
Deferred taxation	9.3	67,448,244	72,798,509
Infrastructure fee	9.4	18,929,062	14,163,036
		<u>165,341,045</u>	<u>153,729,544</u>

9.1 Actuarial valuation has been carried out internally by the management of the Company as at June 30, 2012 using the projected unit credit method assuming a discount rate of 12.0 % (2011: 14.0%) per annum and expected rate of increase in salaries at 12.0 % (2011: 14.0 %) per annum.

9.2 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		66,767,999	52,780,190
Charged to profit and loss account	9.2.1	23,715,993	22,722,565
Benefits paid during the year		(11,520,253)	(8,734,756)
Present value of defined benefits obligation - at the end of the year		<u>78,963,739</u>	<u>66,767,999</u>

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

Current service cost		13,316,696	17,584,726
Interest cost		7,295,750	2,919,062
Actuarial (gains) / losses recognized during the period		3,103,547	2,218,777
Net amount chargeable to profit and loss account		<u>23,715,993</u>	<u>22,722,565</u>

**Notes to the financial statement
For the year ended June 30, 2012**

9.2.2 There is no unrecognized actuarial loss / gain.

9.2.3 Historical information	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Present value of defined benefits obligation	78,963,739	66,767,999	52,780,190	45,777,015	36,264,577
Experience adjustments on plan liabilities	3,103,547	2,218,777	866,220	2,769,748	1,426,295

9.3 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

	30-Jun-12 Rupees	30-Jun-11 Rupees
Accelerated tax depreciation on owned assets	84,508,059	88,748,965
Provision for employee benefit	(11,334,362)	(9,612,508)
Finance lease	586,609	938,583
Provision for doubtful debts	(6,283,354)	(7,233,469)
Provision for diminution in value of investments	(28,708)	(43,062)
	(17,059,815)	(15,950,456)
	67,448,244	72,798,509

9.4 This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee levied through fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006). The Supreme Court in his judgment dated 17th May 2011 has decided that fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006) is valid and hence the levy imposed and collected from the effective date of the fifth version i.e. 28th December 2006 is valid and all imposition and collection before 28th December 2006 are declared to be invalid. The company has now filed petition in Sindh High Court, challenging fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006 regarding levy of infrastructure fee from the 28th December 2006. During the pendency of decision on fifth version of law, Sindh High Court has directed on 31st May 2011 to pay 50% of liability to Excise and Taxation Department, Government of Sindh, and provide bank guarantee of the remaining amount as calculated in accordance with the decision of Supreme Court of Pakistan. Subsequent imports of the company be released against 50% payment infrastructure fee to Excise and Taxation Department, Government of Sindh and furnishing bank guarantee of balance 50% amount. The company has provided bank guarantees amounting to PKR 18.544 Million (June 30, 2011: PKR 14.845 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

10 TRADE AND OTHER PAYABLES

	30-Jun-12 Rupees	30-Jun-11 Rupees
Creditors	196,750,803	202,966,918
Accrued liabilities	119,720,169	80,946,476
Workers' Profit Participation Fund	10.1 19,831,381	49,778,262
Sales tax payable	-	1,240
Unclaimed dividend	392,252	308,636
Others	586,900	759,417
	337,281,505	334,760,949

10.1 Workers' profit participation fund

Opening balance	49,778,262	22,557,270
Interest on funds utilized in the Company's business	10.1.1 10,665,009	12,514,650
	60,443,271	35,071,920
Paid to the fund	(60,443,271)	(35,071,920)
	-	-
Allocation for the year	19,831,381	49,778,262
	19,831,381	49,778,262

**Notes to the financial statement
For the year ended June 30, 2012**

10.1.1 Interest on workers' profit participation fund has been provided @ 225% (2011: 150%) per annum.

11 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES	30-Jun-12	30-Jun-11
	Rupees	Rupees
Mark-up accrued on secured:		
- long-term financing	-	1,715,601
- short-term borrowings	4,666,326	8,138,796
	<u>4,666,326</u>	<u>9,854,397</u>

12 SHORT TERM BORROWINGS - SECURED
From banking companies

Short term loan	12.2	696,500,000	702,136,629
Over Draft		-	195,469,886
		<u>696,500,000</u>	<u>897,606,515</u>

12.1 The aggregate approved short term borrowing facilities amounted to PKR 5,610 million (2011: PKR 5,385 million).

12.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.3% to 3% (2011: 1 to 3 month KIBOR + spreads between 0.5 to 1.5%) per annum payable quarterly. These are secured against joint hypothecation charge on stock and receivables.

13 CURRENT PORTION OF LONG TERM BORROWINGS

Long-term financing	7	-	79,968,737
Liabilities against assets subject to finance lease	8	5,042,375	8,290,581
Loan from sponsors and relatives		-	100,000,000
		<u>5,042,375</u>	<u>188,259,318</u>

14 CONTINGENCIES AND COMMITMENTS
Contingencies

14.1 The Company has issued post dated cheques amounting to PKR 21,001,604 (2011: PKR 1,833,889) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.

14.2 Bank guarantee issued to Sui Northern Pipeline Company Limited amounting to PKR 43.759 Million (2011: PKR 43.124 million)

	30-Jun-12	30-Jun-11
	Rupees	Rupees
14.3 Bills discounted	<u>263,184,758</u>	<u>30,325,904</u>

Commitments

Letter of credit (for store, raw material and machinery)	-	<u>10,960,184</u>
Capital work in progress	<u>1,500,000</u>	<u>2,500,000</u>

**Notes to the financial statement
For the year ended June 30, 2012**
15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2012	Rate
	As at July 01, 2011	Additions / (disposals)	Transfers	As at June 30, 2012	As at July 01, 2011	For the year	Transfers / (disposal)	As at June 30, 2012		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	122,307,851	26,016,383	-	148,324,234	-	-	-	-	148,324,234	-
Building on leasehold land	110,418,383	15,361,714	-	125,780,097	64,909,002	4,962,534	-	69,871,536	55,908,561	10%
Building on freehold land	290,626,096	578,153	-	291,204,249	151,664,403	13,948,397	-	165,612,800	125,591,449	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	12,117,025	904,004	-	13,021,029	16,597,091	5%
Office premises on freehold land	82,635,608	1,262,163	-	83,897,771	22,899,478	3,009,502	-	25,908,980	57,988,791	5%
Plant and machinery	2,280,471,773	91,006,003	-	2,360,752,807	1,217,771,563	112,482,089	-	1,320,927,909	1,039,824,898	10%
	-	(10,724,969)	-	-	-	-	-	(9,325,743)	-	-
Equipments and other assets	22,458,477	5,974,013	-	28,432,490	19,955,883	1,750,350	-	21,706,233	6,726,257	Three years
Electric Installation	21,749,872	-	-	21,749,872	9,461,543	1,228,833	-	10,690,376	11,059,496	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	2,997,947	418,234	-	3,416,181	3,764,108	10%
Cooling towers	5,223,570	-	-	5,223,570	2,076,883	314,669	-	2,391,552	2,832,018	10%
Ventilation system	1,461,897	-	-	1,461,897	558,697	90,320	-	649,017	812,880	10%
Boiler	18,244,925	-	-	18,244,925	5,595,994	1,125,894	-	6,721,888	11,523,037	10%
Factory equipments	13,607,029	-	-	13,607,029	11,119,955	235,577	-	11,355,532	2,251,497	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,568,151	174,995	-	3,743,146	1,574,962	10%
Office equipments	20,245,336	-	-	20,245,336	13,496,827	672,641	-	14,169,468	6,075,868	10%
Furniture and fixtures - Office	872,972	-	-	872,972	603,139	26,983	-	630,122	242,850	10%
Vehicles	40,176,505	7,716,454 (856,757)	13,637,520	60,673,722	19,764,771	6,312,003	5,927,775 (782,355)	31,222,194	29,451,528	20%
	3,073,050,225	147,914,883 (11,581,726)	13,637,520	3,223,020,902	1,558,561,261	147,657,025	5,927,775 (10,108,098)	1,702,037,963	1,520,982,939	-
Assets subject to finance lease										
Vehicles	28,555,760	-	(13,637,520)	14,918,240	8,888,349	2,391,535	(5,927,775)	5,352,109	9,566,131	10%
	28,555,760	-	(13,637,520)	14,918,240	8,888,349	2,391,535	(5,927,775)	5,352,109	9,566,131	-
June 30, 2012	3,101,605,985	147,914,883 (11,581,726)	-	3,237,939,142	1,567,449,610	150,048,560	- (10,108,098)	1,707,390,072	1,530,549,070	-

Year Ended June 30, 2011
PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2011	Rate
	As at July 01, 2010	Additions / (disposals)	Transfers	As at June 30, 2011	As at July 01, 2010	For the year	Transfers / (disposal)	As at June 30, 2011		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,691,736	616,115	-	122,307,851	-	-	-	-	122,307,851	-
Building on leasehold land	99,793,655	10,624,728	-	110,418,383	60,808,106	4,100,896	-	64,909,002	45,509,381	10%
Building on freehold land	288,743,668	1,882,428	-	290,626,096	136,413,525	15,250,878	-	151,664,403	138,961,693	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	10,586,467	1,530,558	-	12,117,025	17,501,095	5%
Office premises on freehold land	73,591,341	9,044,267	-	82,635,608	20,801,265	2,098,213	-	22,899,478	59,736,130	5%
Plant and machinery	2,215,689,422	73,892,586 (9,110,235)	-	2,280,471,773	1,114,012,528	111,598,027	-	1,217,771,563	1,062,700,210	10%
	-	-	-	-	-	-	-	(7,838,992)	-	-
Equipments and other assets	21,005,780	1,452,697	-	22,458,477	15,460,128	4,495,755	-	19,955,883	2,502,594	Three years
Electric Installation	21,749,872	-	-	21,749,872	8,096,174	1,365,369	-	9,461,543	12,288,329	10%
Gas line and pipe	7,180,289	-	-	7,180,289	2,533,242	464,705	-	2,997,947	4,182,342	10%
Cooling towers	5,223,570	-	-	5,223,570	1,727,251	349,632	-	2,076,883	3,146,687	10%
Ventilation system	1,461,897	-	-	1,461,897	458,341	100,356	-	558,697	903,200	10%
Boiler	18,244,925	-	-	18,244,925	4,345,001	1,250,993	-	5,595,994	12,648,931	10%
Factory equipments	13,607,029	-	-	13,607,029	10,843,030	276,925	-	11,119,955	2,487,074	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,373,712	194,439	-	3,568,151	1,749,957	10%
Office equipments	20,245,336	-	-	20,245,336	12,749,448	747,379	-	13,496,827	6,748,509	10%
Furniture and fixtures - Office	872,972	-	-	872,972	573,158	29,981	-	603,139	269,833	10%
Vehicles	35,696,101	11,335,052 (6,854,648)	-	40,176,505	21,882,472	3,559,242	-	19,764,771	20,411,734	20%
	2,980,167,235	108,847,873 (15,964,883)	-	3,073,050,225	1,424,663,848	147,413,348	-	1,558,561,261	1,514,488,964	-
	-	-	-	-	-	-	-	(13,515,935)	-	-

**Notes to the financial statement
For the year ended June 30, 2012**

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2011	Rate
	As at July 01, 2010	Additions / (disposals)	Transfers	As at June 30, 2011	As at July 01, 2010	For the year	Transfers / (disposal)	As at June 30, 2011		
	Rupees									
Assets subject to finance lease										
Vehicles	22,276,970	6,278,790	-	28,555,760	4,625,539	4,262,810	-	8,888,349	19,667,411	10%
	22,276,970	6,278,790	-	28,555,760	4,625,539	4,262,810	-	8,888,349	19,667,411	
June 30, 2011	3,002,444,205	115,126,663	-	3,101,605,985	1,429,289,387	151,676,158	-	1,567,449,610	1,534,156,375	
	-	(15,964,883)	-	-	-	(13,515,935)	-	-	-	

15.1 Equipment and other assets includes assets amounting to PKR 15,710,241 (2011: PKR 13,597,168) which has been fully depreciated.

15.2 Equipment and other assets are depreciated over the period of three years. In previous years the rate of depreciation had been disclosed as 35% instead of three years. There is no impact on depreciation as the depreciation is being charged over the period of three years.

	June 30, 2012	June 30, 2011
	Rupees	Rupees
15.3 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	29	140,519,588
Administrative expenses	32	9,528,972
	<u>150,048,560</u>	<u>151,676,158</u>

15.4 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT
Year Ended June 30, 2012

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

**Notes to the financial statement
For the year ended June 30, 2012**
Year Ended June 30, 2011

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

30-Jun-12 30-Jun-11
Rupees Rupees

16 CAPITAL WORK IN PROGRESS

Building and other civil work	3,269,584	6,538,142
Machinery	75,107,220	39,230,740
Electric installation	39,729,054	-
	118,105,858	45,768,882

**Notes to the financial statement
For the year ended June 30, 2012**

		30-Jun-12	30-Jun-11
		Rupees	Rupees
17	LONG TERM INVESTMENTS		
	Available for sale		
	50,000 ordinary shares of Rs. 10 each.	500,000	500,000
	Provision for diminution in the value of investments	(200,000)	(300,000)
		<u>300,000</u>	<u>200,000</u>
17.1	The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.		
17.2	The market value of these shares was PKR 6.0 per share as at June 30, 2012 (June 2011: PKR 4.0 per share)		
18	LONG TERM DEPOSITS		
	With Leasing companies	618,000	1,863,000
	Electricity	10,492,520	10,492,520
	Telephone	67,900	67,900
	Others	161,676	161,676
		<u>11,340,096</u>	<u>12,585,096</u>
19	STORES, SPARES AND LOOSE TOOLS		
	Stores and spares	41,786,411	44,533,491
	Loose tools	1,445,740	1,540,609
	Packing material	7,200,350	6,359,719
		<u>50,432,501</u>	<u>52,433,819</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	959,966,470	1,022,524,218
	Raw material in transit	137,063,770	-
	Work in process	95,537,511	81,162,437
	Finished goods	177,900,993	442,058,605
	Waste	2,465,682	1,565,204
		<u>1,372,934,426</u>	<u>1,547,310,464</u>
20.1	Raw material stock cost PKR Nil (2011: PKR 1,222,909,273) have been valued at PKR Nil (2011: PKR 983,717,110) being the replacement cost of raw material		
20.2	Finished goods stock cost PKR 8,563,489 (2011: PKR 311,771,921) has been valued at PKR 2,454,649 (2011: PKR 241,211,782) being the net realisable 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	80,082,472	43,351,558
	Local - unsecured - considered good	301,265,997	393,239,032
	Local - unsecured - considered doubtful	39,352,443	41,201,615
		<u>420,700,912</u>	<u>477,792,205</u>
	Provision for doubtful debts.	(39,352,443)	(41,201,615)
		<u>381,348,469</u>	<u>436,590,590</u>

**Notes to the financial statement
For the year ended June 30, 2012**

		30-Jun-12 Rupees	30-Jun-11 Rupees
21.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		41,201,615	46,703,649
Bad debts provision provided during the year		1,832,728	355,000
Bad debts recovered during the year		(3,681,900)	(5,857,034)
Provision for bad debts at the end of year		<u>39,352,443</u>	<u>41,201,615</u>
22 LOANS AND ADVANCES			
Advances to :			
Suppliers - unsecured but considered good		6,148,484	10,074,860
Suppliers - unsecured and considered doubtful		309,001	5,079,001
Employees - Secured considered good		14,731,279	14,483,369
Employees - Un-secured considered doubtful		1,165,000	1,165,000
Prepaid		961,148	373,707
		<u>23,314,912</u>	<u>31,175,937</u>
Provision for doubtful supplier advances	22.1	<u>(1,474,001)</u>	<u>(6,244,001)</u>
		<u>21,840,911</u>	<u>24,931,936</u>
22.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		6,244,001	5,079,001
Bad debts provision provided during the year		-	1,165,000
Bad debts recovered during the year		(4,770,000)	-
Provision for bad debts at the end of year		<u>1,474,001</u>	<u>6,244,001</u>
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		1,088,490	2,999,073
Deposits against infrastructure fees	23.1	18,544,654	14,844,654
Short term prepayments		1,245,000	1,972,800
		<u>20,878,144</u>	<u>19,816,527</u>
23.1			
Effective mark up rate on these deposits range from 8% to 9.50% (June 30, 2011: 7% to 11.5%) per annum.			
24 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD			
L/C in transit		-	135,402
KMC refundable - Considered doubtful		680,624	680,624
Other receivables		1,462,916	1,224,379
		<u>2,143,540</u>	<u>2,040,405</u>
Provision for doubtful receivables		<u>(680,624)</u>	<u>(680,624)</u>
		1,462,916	1,359,781
25 INCOME TAX REFUNDABLE			
Income tax refundable		32,605,662	16,510,315
Advance income tax		73,444,629	96,615,608
Provision for taxation			
Current year		(65,357,163)	(80,763,410)
Prior years		(1,599,775)	(1,599,775)
		<u>(66,956,938)</u>	<u>(82,363,185)</u>
		<u>39,093,353</u>	<u>30,762,738</u>

**Notes to the financial statement
For the year ended June 30, 2012**

	30-Jun-12	30-Jun-11
	Rupees	Rupees
26 SALES TAX REFUNDABLE		
Sales tax and federal excise duty refundable	49,814,973	35,538,797
1% Special excise duty refundable	2,267,527	2,267,527
Provision for non refundable	(2,267,527)	(2,267,527)
	-	-
	<u>49,814,973</u>	<u>35,538,797</u>
27 CASH AND BANK BALANCES		
Balances with banks on:		
Current accounts	27,200,432	36,254,712
Foreign currency account - current	5,553,082	16,981,969
	<u>32,753,514</u>	<u>53,236,681</u>
28 SALES - NET		
Export		
Yarn	3,279,445,533	4,437,119,091
Fabric	2,099,447,388	2,728,061,498
	5,378,892,921	7,165,180,589
Export Rebate	152,300	89,953
	<u>5,379,045,221</u>	<u>7,165,270,542</u>
Local		
Yarn	698,767,724	229,701,745
Fabric	165,496,336	34,890,003
Cotton	74,872,636	58,075,404
Waste and others	54,764,777	59,478,502
	993,901,473	382,145,654
	<u>6,372,946,694</u>	<u>7,547,416,196</u>
Regulatory duty	-	(1,834,711)
	<u>6,372,946,694</u>	<u>7,545,581,485</u>

28.1 Export sales includes exchange gain of PKR 98,016,257 (2011: PKR 53,535,031).

28.2 Export sales includes PKR 2,828.773 Million (2011: PKR 4,231.039 Million) in respect of indirect export sales

29 COST OF GOODS SOLD

Raw material consumed	29.1	3,720,530,676	4,889,143,975
Packing material consumed		58,327,735	57,210,230
Stores, spares and loose tools		149,175,248	129,914,708
Salaries, wages and benefits	29.2	322,696,750	277,117,970
Processing charges		16,458,910	3,190,586
Fees and Subscription		263,810	195,216
Fuel ,power and water		720,369,881	631,775,502
Electricity duty		1,753,745	1,918,287
Insurance		16,274,563	16,242,762
Vehicle running and maintenance		7,260,154	5,825,269
Rent, rate and taxes		452,838	415,663
Repairs and maintenance		8,526,943	7,119,173

**Notes to the financial statement
For the year ended June 30, 2012**

		30-Jun-12 Rupees	30-Jun-11 Rupees
Communication		765,499	656,020
Traveling and conveyance		1,659,030	1,264,866
Depreciation	15.3	140,519,588	142,798,335
Others		1,980,186	1,997,598
		<u>5,167,015,556</u>	<u>6,166,786,160</u>
Work in process			
Opening stock		81,162,437	66,539,256
Stock burnt during process		(123,850)	-
Closing stock		(95,537,511)	(81,162,437)
		<u>(14,498,924)</u>	<u>(14,623,181)</u>
Cost of goods manufactured		5,152,516,632	6,152,162,979
Cost of cotton sold	29.3	70,748,615	83,945,919
Finished stocks			
Opening stock		443,623,809	132,707,749
Finished goods purchases		76,227,322	142,904,262
Cost of finished goods theft		(57,000)	-
Closing stock		(180,366,675)	(443,623,809)
		<u>339,427,456</u>	<u>(168,011,798)</u>
		<u>5,562,692,703</u>	<u>6,068,097,100</u>
29.1 Raw material consumed			
Opening stock		1,022,524,218	752,532,552
Purchases - net		3,870,642,758	5,272,905,984
		<u>4,893,166,976</u>	<u>6,025,438,536</u>
Cost of raw material sold		(75,606,060)	(113,770,343)
Closing stock		(1,097,030,240)	(1,022,524,218)
		<u>3,720,530,676</u>	<u>4,889,143,975</u>
29.2	Salaries, wages and benefits includes employees benefits amounting to PKR 18,157,152 (June 30, 2011: PKR 17,471,013).		
29.3 Cost of cotton and polyester sold			
Cost of purchases		68,432,820	82,164,837
Salaries, wages and other benefits		306,280	34,580
Loading and unloading		6,054	6,423
Insurance		302,070	111,145
Commission		63,002	-
Finance cost		1,638,389	1,628,934
		<u>70,748,615</u>	<u>83,945,919</u>
30 OTHER OPERATING INCOME			
Income from financial assets			
Interest income		1,647,625	2,835,496
Provision for diminution in value of investment		-	137,000
Bad debts recovered		8,451,900	5,857,034
		<u>10,099,525</u>	<u>8,829,530</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		54,820	3,266,047
Rental income		665,400	60,000
		<u>720,220</u>	<u>3,326,047</u>
		<u>10,819,745</u>	<u>12,155,577</u>

**Notes to the financial statement
For the year ended June 30, 2012**

		30-Jun-12	30-Jun-11
		Rupees	Rupees
31 DISTRIBUTION COST			
Export			
Freight on export sales		65,089,172	46,446,328
Commission on export sales		47,253,458	55,772,551
Export development surcharge		6,301,588	7,300,843
Sales Promotion Expenses		7,102,222	8,161,347
Others		4,902,714	4,349,929
		130,649,154	122,030,998
Local			
Salaries and wages		765,803	707,564
Freight on local sales		13,486,662	11,867,189
Commission on local sales		42,434,609	53,698,883
Quality claim		3,556,334	1,671,574
Others		968,438	2,161,649
		61,211,846	70,106,859
		191,861,000	192,137,857
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration	38	1,920,000	1,920,000
Staff salaries and benefits	32.1	50,925,963	41,855,912
Traveling, conveyance and entertainment		9,834,684	6,041,144
Printing and stationery		1,998,949	2,000,088
Communication		2,617,899	2,399,914
Vehicles running and maintenance		8,737,733	6,696,277
Legal and professional		1,987,525	1,427,768
Auditors' remuneration	32.2	1,168,000	905,800
Fee and subscription		2,361,991	2,263,591
Repair and maintenance		1,728,254	1,687,997
Depreciation	15.3	9,528,972	8,877,823
Rent, rates and utilities		623,738	1,231,308
Donation	32.3	680,650	6,371,200
Bad Debts		1,832,728	1,520,000
Office Renovation		1,344,411	3,221,600
Others		1,344,654	1,942,975
		98,636,151	90,363,397
32.1	Salaries, wages and benefits includes employees benefits amounting to PKR 5,558,843 (June 30, 2011 : PKR 5,251,550).		
32.2	Auditors' remuneration		
	Annual statutory audit	1,000,000	750,000
	Half yearly review	132,000	119,800
	Code of Corporate Governance review	36,000	36,000
		1,168,000	905,800
32.3	No director or his spouse had any interest in the donee		
33 OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	10.1	19,831,381	49,778,262
Workers' Welfare Fund	33.1	-	-
		19,831,381	49,778,262

**Notes to the financial statement
For the year ended June 30, 2012**

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

		30-Jun-12	30-Jun-11
		Rupees	Rupees
34 FINANCE COST			
Mark-up on:			
- long-term financing		2,225,571	17,037,248
- short-term borrowings		114,042,136	162,825,848
- liabilities against assets subject to finance lease		1,180,673	1,883,635
- workers' profit participation fund		10,665,009	12,514,650
		128,113,389	194,261,381
Bank charges and commission		1,573,138	2,008,440
Letter of credits discounting		14,927,464	27,818,323
		144,613,991	224,088,144
35 PROVISION FOR TAXATION			
Current			
- for the year	35.1	65,357,163	80,763,410
- for prior years		(364,597)	2,080,529
		64,992,566	82,843,939
Deferred	9.3	(5,350,265)	(12,770,690)
		59,642,301	70,073,249
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 2011.		
35.2 Numerical reconciliation between the average tax rate and the applicable tax rate			
		30-Jun-12	30-Jun-11
		%	%
Applicable tax rate		35.00	35.00
Tax effect of amounts that are:			
adjustment of the prior years		(0.10)	(0.23)
income chargeable to tax at different rate		(15.70)	(25.04)
deferred tax		(1.45)	(1.36)
		(17.25)	(26.63)
Effective tax rate		17.75	8.37
36 EARNINGS PER SHARE - BASIC AND DILUTED		30-Jun-12	30-Jun-11
		Rupees	Rupees
		102.16	287.73
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)		306,488,912	863,199,053
Number of shares		30-Jun-12	30-Jun-11
Weighted average number of ordinary shares for the purpose of basic earnings per share		3,000,000	3,000,000

**Notes to the financial statement
For the year ended June 30, 2012**

30-Jun-12 30-Jun-11
Rupees Rupees

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	102.16	287.73
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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 24th September 2012 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	
	2012	2011	2012	2011	2012	2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
House rent	297,931	297,931	297,931	297,931	595,862	595,862
	960,000	960,000	960,000	960,000	1,920,000	1,920,000
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 2012 is as follows

39.1 Operating Results

Note	Spinning		Weaving		Power Generation		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
Sales								
Export sales	1,218,637,119	4,408,082,201	1,331,482,322	2,757,098,388	-	-	2,550,119,441	7,165,180,589
Local sales	813,476,041	333,995,502	180,425,432	48,150,152	-	-	993,901,473	382,145,654
Custom rebate	33,195	42,747	119,105	47,206	-	-	152,300	89,953
Inter-segment sales	215,478,700	-	-	-	163,577,240	161,192,634	379,055,940	161,192,634
	4,305,655,179	4,742,120,450	2,282,770,215	2,805,295,746	163,577,240	161,192,634	6,752,002,634	7,708,608,830
Duties, commission and brokerage								
Regulatory duty on export sales	-	(1,834,711)	-	-	-	-	-	(1,834,711)
	-	(1,834,711)	-	-	-	-	-	(1,834,711)
Net sales	4,305,655,179	4,740,285,739	2,282,770,215	2,805,295,746	163,577,240	161,192,634	6,752,002,634	7,706,774,119
Cost of sales	3,587,519,489	3,695,432,351	2,194,301,113	2,374,464,716	159,928,041	159,392,667	5,941,748,643	6,229,289,734
Gross profit	718,135,690	1,044,853,388	88,469,102	430,831,030	3,649,199	1,799,967	810,253,991	1,477,484,385
Distribution cost	121,437,520	135,934,637	70,423,480	56,203,220	-	-	191,861,000	192,137,857
Administrative cost	81,097,927	78,661,130	17,522,699	11,678,292	15,525	23,975	98,636,151	90,363,397
	202,535,447	214,595,767	87,946,179	67,881,512	15,525	23,975	290,497,151	282,501,254
Operating result	515,600,243	830,257,621	522,923	362,949,518	3,633,674	1,775,992	519,756,840	1,194,983,131
39.2 Segment assets	2,461,001,476	2,477,071,918	927,065,742	1,086,982,113	121,360,447	131,734,497	3,509,427,665	3,695,788,528
Unallocated assets							121,426,566	63,364,361
							3,630,854,231	3,759,152,889
39.3 Segment liabilities	764,116,032	925,363,947	336,016,146	567,309,511	22,366,507	10,995,971	1,123,743,685	1,503,669,429
Unallocated liabilities							86,769,558	87,270,181
							1,210,513,243	1,590,939,610

**Notes to the financial statement
For the year ended June 30, 2012**

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.

	2012 Rupees	2011 Rupees
40 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities		
40.1 Turnover		
Total turnover for reportable segments	6,752,002,634	7,706,774,119
Elimination of inter-segment turnover	(379,055,940)	(161,192,634)
Total turnover	<u>6,372,946,694</u>	<u>7,545,581,485</u>
40.2 Cost of sales		
Total cost of sales for reportable segments	5,941,748,643	6,229,289,734
Elimination of inter-segment revenue	(379,055,940)	(161,192,634)
Total cost of sales	<u>5,562,692,703</u>	<u>6,068,097,100</u>
40.3 Assets		
Total assets for reportable segments	3,509,427,665	3,695,788,528
Taxation recoverable	39,093,353	30,762,738
Sales tax refundable	49,814,973	35,538,797
Trade deposits	20,878,144	19,816,527
Long term investment	300,000	200,000
Long term deposit	11,340,096	12,585,096
Total assets	<u>3,630,854,231</u>	<u>3,794,691,686</u>
40.4 Liabilities		
Total liabilities for reportable segments	1,123,743,685	1,503,669,429
Unclaimed dividends	392,252	308,636
Infrastructure fee	18,929,062	14,163,036
Deferred taxation	67,448,244	72,798,509
Total liabilities	<u>1,210,513,243</u>	<u>1,590,939,610</u>

	Note	Spinning		Weaving		Power Generation		Total	
		30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
41 Cost of sales									
Raw material consumed	41.1	2,348,140,008	2,852,059,756	1,587,869,368	2,037,084,219	-	-	3,936,009,376	4,889,143,975
Packing material consumed		51,910,466	51,344,007	6,417,269	5,866,223	-	-	58,327,735	57,210,230
Stores and spare parts		91,274,890	86,028,373	49,421,859	36,004,562	8,478,499	7,881,773	149,175,248	129,914,708
Salaries, wages and benefits		249,047,603	209,707,670	68,789,851	62,906,088	4,859,296	4,504,212	322,696,750	277,117,970
Processing charges		3,614,045	2,818,411	12,844,865	372,175	-	-	16,458,910	3,190,586
Fees and subscription		241,760	173,416	10,050	9,800	12,000	12,000	263,810	195,216
Fuel, power and water									
Inter-segment		71,990,770	63,383,394	91,586,470	97,809,240	-	-	163,577,240	161,192,634
Others		403,017,340	349,022,751	190,280,111	157,586,551	127,072,430	125,166,200	720,369,881	631,775,502
		475,008,110	412,406,145	281,866,581	255,395,791	127,072,430	125,166,200	883,947,121	792,968,136
Electricity duty		-	-	-	-	1,753,745	1,918,287	1,753,745	1,918,287
Insurance		8,810,594	10,883,551	3,406,025	2,496,210	4,057,944	2,863,001	16,274,563	16,242,762
Vehicle running and maintenance		5,629,079	4,580,887	1,488,960	1,115,041	142,115	129,341	7,260,154	5,825,269

**Notes to the financial statement
For the year ended June 30, 2012**

	Spinning		Weaving		Power Generation		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
Rent, rates and taxes	436,738	405,713	15,360	9,160	740	790	452,838	415,663
Repair and maintenance	5,102,251	3,460,343	2,960,231	1,272,651	464,461	2,386,179	8,526,943	7,119,173
Communication	550,579	466,833	214,920	189,187	-	-	765,499	656,020
Travelling and conveyance and entertainment	1,491,072	1,112,591	116,726	107,403	51,232	44,872	1,659,030	1,264,866
Depreciation	72,350,591	68,559,508	55,166,592	59,791,715	13,002,405	14,447,112	140,519,588	142,798,335
Others	1,122,992	1,048,256	824,020	910,442	33,174	38,900	1,980,186	1,997,598
	<u>3,314,730,778</u>	<u>3,705,055,460</u>	<u>2,071,412,677</u>	<u>2,463,530,667</u>	<u>159,928,041</u>	<u>159,392,667</u>	<u>5,546,071,496</u>	<u>6,327,978,794</u>
Work in process								
Opening stock	44,384,859	27,907,249	36,777,578	38,632,007	-	-	81,162,437	66,539,256
Work in process lost / brunt	(123,850)	-	-	-	-	-	(123,850)	-
Closing stock	(50,261,027)	(44,384,859)	(45,276,484)	(36,777,578)	-	-	(95,537,511)	(81,162,437)
	<u>(6,000,018)</u>	<u>(16,477,610)</u>	<u>(8,498,906)</u>	<u>1,854,429</u>	<u>-</u>	<u>-</u>	<u>(14,498,924)</u>	<u>(14,623,181)</u>
Cost of goods manufactured	3,308,730,760	3,688,577,850	2,062,913,771	2,465,385,096	159,928,041	159,392,667	5,531,572,572	6,313,355,613
Cost of cotton sold	70,748,615	83,945,919	-	-	-	-	70,748,615	83,945,919
Finished stocks								
Opening stock	242,503,064	59,944,063	201,120,745	72,763,686	-	-	443,623,809	132,707,749
Finished goods purchased	66,921,882	105,467,583	9,305,440	37,436,679	-	-	76,227,322	142,904,262
Finished goods theft	(57,000)	-	-	-	-	-	(57,000)	-
Closing stock	(101,327,832)	(242,503,064)	(79,038,843)	(201,120,745)	-	-	(180,366,675)	(443,623,809)
	<u>208,040,114</u>	<u>(77,091,418)</u>	<u>131,387,342</u>	<u>(90,920,380)</u>	<u>-</u>	<u>-</u>	<u>339,427,456</u>	<u>(168,011,798)</u>
	<u>3,587,519,489</u>	<u>3,695,432,351</u>	<u>2,194,301,113</u>	<u>2,374,464,716</u>	<u>159,928,041</u>	<u>159,392,667</u>	<u>5,941,748,643</u>	<u>6,229,289,734</u>
41.1 Raw material consumed								
Opening stock	983,717,109	684,401,423	38,807,109	68,131,129	-	-	1,022,524,218	752,532,552
Purchases								
Inter-segment	-	-	215,478,700	-	-	-	215,478,700	-
Others	2,474,826,734	3,233,540,279	1,395,816,024	2,039,365,705	-	-	3,870,642,758	5,272,905,984
	<u>2,474,826,734</u>	<u>3,233,540,279</u>	<u>1,611,294,724</u>	<u>2,039,365,705</u>	<u>-</u>	<u>-</u>	<u>4,086,121,458</u>	<u>5,272,905,984</u>
Raw material sold - cotton	(68,432,820)	(82,164,837)	-	-	-	-	(68,432,820)	(82,164,837)
Raw material sold - yarn	-	-	(7,173,240)	(31,605,506)	-	-	(7,173,240)	(31,605,506)
Closing stock	(1,041,971,015)	(983,717,109)	(55,059,225)	(38,807,109)	-	-	(1,097,030,240)	(1,022,524,218)
	<u>2,348,140,008</u>	<u>2,852,059,756</u>	<u>1,587,869,368</u>	<u>2,037,084,219</u>	<u>-</u>	<u>-</u>	<u>3,936,009,376</u>	<u>4,889,143,975</u>
41.2 Cost of cotton sold								
Cost of purchase	68,432,820	82,164,837	-	-	-	-	68,432,820	82,164,837
Salaries, wages and other benefits	306,280	34,580	-	-	-	-	306,280	34,580
Loading and unloading	6,054	6,423	-	-	-	-	6,054	6,423
Insurance	302,070	111,145	-	-	-	-	302,070	111,145
Commission	63,002	-	-	-	-	-	63,002	-
Finance cost	1,638,389	1,628,934	-	-	-	-	1,638,389	1,628,934
	<u>70,748,615</u>	<u>83,945,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,748,615</u>	<u>83,945,919</u>

**Notes to the financial statement
For the year ended June 30, 2012**

	Spinning		Weaving		Power Generation		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
42 Distribution cost								
Export								
Ocean freight and forwarding	36,286,290	30,113,595	28,802,882	16,332,733	-	-	65,089,172	46,446,328
Export development surcharge	2,955,358	4,137,794	3,346,230	3,163,049	-	-	6,301,588	7,300,843
Commission	25,114,613	41,641,285	22,138,845	14,131,266	-	-	47,253,458	55,772,551
Sales Promotion Expenses	1,330,528	1,381,922	5,771,694	6,779,425	-	-	7,102,222	8,161,347
Others	1,610,869	1,388,555	3,291,845	2,961,374	-	-	4,902,714	4,349,929
	67,297,658	78,663,151	63,351,496	43,367,847	-	-	130,649,154	122,030,998
Local								
Salaries and wages	765,803	707,564	-	-	-	-	765,803	707,564
Inland transportation	13,272,057	11,487,939	214,605	379,250	-	-	13,486,662	11,867,189
Commission	35,577,230	41,242,760	6,857,379	12,456,123	-	-	42,434,609	53,698,883
Quality claim	3,556,334	1,671,574	-	-	-	-	3,556,334	1,671,574
Others	968,438	2,161,649	-	-	-	-	968,438	2,161,649
	54,139,862	57,271,486	7,071,984	12,835,373	-	-	61,211,846	70,106,859
	121,437,520	135,934,637	70,423,480	56,203,220	-	-	191,861,000	192,137,857
43 Administrative cost								
Directors' remuneration	1,920,000	1,920,000	-	-	-	-	1,920,000	1,920,000
Staff salaries and benefits	42,692,543	36,252,028	8,233,420	5,603,884	-	-	50,925,963	41,855,912
Traveling, conveyance and entertainment	6,531,813	4,963,453	3,302,871	1,077,691	-	-	9,834,684	6,041,144
Printing and stationery	1,814,995	1,676,051	183,954	319,812	-	4,225	1,998,949	2,000,088
Communication	2,303,552	2,154,969	314,347	244,945	-	-	2,617,899	2,399,914
Vehicles running and maintenance	7,225,863	5,521,997	1,511,870	1,174,280	-	-	8,737,733	6,696,277
Legal and professional	1,267,525	1,427,768	720,000	-	-	-	1,987,525	1,427,768
Auditors' remuneration	778,666	603,866	389,334	301,934	-	-	1,168,000	905,800
Fee and subscription	1,566,459	1,730,308	795,532	533,283	-	-	2,361,991	2,263,591
Repair and maintenance	1,638,984	1,611,066	89,270	76,931	-	-	1,728,254	1,687,997
Depreciation	7,771,519	6,840,593	1,741,928	2,019,980	15,525	17,250	9,528,972	8,877,823
Rent, rates and utilities	623,738	1,231,308	-	-	-	-	623,738	1,231,308
Donation	680,650	6,171,200	-	200,000	-	-	680,650	6,371,200
Bad Debts	1,832,728	1,520,000	-	-	-	-	1,832,728	1,520,000
Office Renovation	1,344,411	3,221,600	-	-	-	-	1,344,411	3,221,600
Others	1,104,481	1,814,923	240,173	125,552	-	2,500	1,344,654	1,942,975
	81,097,927	78,661,130	17,522,699	11,678,292	15,525	23,975	98,636,151	90,363,397

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, 2012 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

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

Non-current liabilities

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

Other financial instruments

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

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

**Notes to the financial statement
For the year ended June 30, 2012**
2012

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	381,348,469	-	381,348,469	381,348,469	
Loans and advances	-	-	-	21,840,911	-	21,840,911	21,840,911	
Trade deposits	18,544,654	-	18,544,654	2,333,490	-	2,333,490	20,878,144	8 to 11.5
Other receivables	-	-	-	1,462,916	-	1,462,916	1,462,916	
Bank balances	-	-	-	32,753,514	-	32,753,514	32,753,514	
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	11,340,096	11,340,096	11,340,096	
Long term investments	-	-	-	-	300,000	300,000	300,000	
	<u>18,544,654</u>	<u>-</u>	<u>18,544,654</u>	<u>438,494,300</u>	<u>11,640,096</u>	<u>451,379,396</u>	<u>469,924,050</u>	
Financial liabilities								
Long-term financing	6,724,367	1,681,992	8,406,359	-	-	-	8,406,359	7 and KIBOR + 1
Trade and other payables	19,831,381	-	19,831,381	317,450,124	-	317,450,124	337,281,505	
Mark-up accrued on loans	-	-	-	4,666,326	-	4,666,326	4,666,326	
Short-term borrowings	696,500,000	-	696,500,000	-	-	-	696,500,000	KIBOR + 0.3 to 3
	<u>696,500,000</u>	<u>1,681,992</u>	<u>724,737,740</u>	<u>322,116,450</u>	<u>-</u>	<u>322,116,450</u>	<u>1046,854,190</u>	
On balance sheet gap	<u>(704,511,094)</u>	<u>(1,681,992)</u>	<u>(706,193,086)</u>	<u>117,622,850</u>	<u>11,640,096</u>	<u>129,262,946</u>	<u>(576,930,140)</u>	
Contingencies and commitments								
Post dated cheques							21,001,604	
Bill discounted							263,184,758	
Guarantees (Note 8.4 and Note 13.2)							62,304,329	
Letters of credit							-	
Civil work							1,500,000	

2011

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	436,590,590	-	436,590,590	436,590,590	
Loans and advances	-	-	-	24,931,936	-	24,931,936	24,931,936	
Trade deposits	14,844,654	-	14,844,654	4,971,873	-	4,971,873	19,816,527	3 to 7
Other receivables	-	-	-	1,359,781	-	1,359,781	1,359,781	
Bank balances	-	-	-	53,236,681	-	53,236,681	53,236,681	
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	12,585,096	12,585,096	12,585,096	
Long term investments	-	-	-	-	200,000	200,000	200,000	
	<u>14,844,654</u>	<u>-</u>	<u>14,844,654</u>	<u>521,090,861</u>	<u>12,785,096</u>	<u>533,875,957</u>	<u>548,720,611</u>	
Financial liabilities								
Long-term financing	88,259,318	6,728,887	94,988,205	-	-	-	94,988,205	KIBOR + 1
Trade and other payables	49,778,262	-	49,778,262	284,982,687	-	284,982,687	334,760,949	
Mark-up accrued on loans	-	-	-	9,854,397	-	9,854,397	9,854,397	
Short-term borrowings	897,606,515	-	897,606,515	-	-	-	897,606,515	KIBOR + .5 to 1.5
	<u>1,035,644,095</u>	<u>6,728,887</u>	<u>1,042,372,982</u>	<u>294,837,084</u>	<u>-</u>	<u>294,837,084</u>	<u>1,337,210,066</u>	
On balance sheet gap	<u>(1,020,799,441)</u>	<u>(6,728,887)</u>	<u>(1,027,528,328)</u>	<u>226,253,777</u>	<u>12,785,096</u>	<u>239,038,873</u>	<u>(788,489,455)</u>	
Contingencies and commitments								
Post dated cheques							1,833,889	
Bill discounted							30,325,904	
Guarantees (Note 8.4 and Note 13.2)							57,969,329	
Letters of credit							10,960,184	
Civil work							2,500,000	

**Notes to the financial statement
For the year ended June 30, 2012**
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 468,694,137 (June 30, 2011: PKR 548,720,611), unsecured local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 349,217,160 (June 30, 2011: PKR 451,133,215) 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, 2012, the total foreign currency risk exposure was PKR 80,082,472 (June 30, 2011: PKR 43,351,558) 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."

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:

	<i>Note</i>	June 30, 2012	June 30, 2011
		Rupees	Rupees
Financial assets at fair value through profit or loss		-	-
Held-to-maturity investments		-	-
Loans and receivables:			
Long term deposits		11,340,096	12,585,096
Trade receivables		381,348,469	436,590,590
Loan and advances		21,840,911	24,931,936
Refundable trade deposits		20,878,144	19,816,527
Other receivables		1,462,916	1,359,781
Cash at banks		32,753,514	53,236,681
		436,870,536	495,283,930
Available for sale financial assets		300,000	200,000
		437,170,536	495,483,930

**Notes to the financial statement
For the year ended June 30, 2012**

	June 30, 2012 Rupees	June 30, 2011 Rupees
44.6.2 Concentration of credit risk		
Maximum exposure to credit risk by geographical region as at the reporting date is:		
Domestic	340,618,440	434,440,647
Europe	-	12,764,132
United States of America	28,172,153	-
Asia and Middle East	40,630,655	21,626,317
Africa	11,279,664	-
Other regions	-	8,961,109
	<u>420,700,912</u>	<u>477,792,205</u>

44.6.3 Impairment losses

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

Not past due	381,348,469	436,590,590
Past due less than one year	32,373,469	34,222,641
Past due more than one year but less than three years	309,001	5,079,001
Past due more than three years	6,978,974	6,978,974
	<u>421,009,913</u>	<u>482,871,206</u>

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

As at beginning of the year	46,280,616	51,782,650
Impairment loss recognized	1,832,728	355,000
Impairment loss reversed	(8,451,900)	(5,857,034)
As at end of the year	<u>39,661,444</u>	<u>46,280,616</u>

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

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, 2012				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	-	100,000,000	100,000,000	-	-
Liabilities against assets subject to finance lease	6,724,367	6,724,367	6,724,367	-	-
Long term payables	18,929,062	18,929,062	-	18,929,062	-
Short term borrowings	696,500,000	696,500,000	696,500,000	-	-
Mark-up accrued on borrowings	4,666,326	4,666,326	4,666,326	-	-
Trade creditors	196,750,803	196,750,803	196,750,803	-	-
Accrued liabilities	119,720,169	119,720,169	119,720,169	-	-
Unclaimed dividend	392,252	392,252	392,252	-	-
Other payables	20,418,281	20,418,281	20,418,281	-	-
	<u>1,064,101,260</u>	<u>1,064,101,260</u>	<u>1,045,172,198</u>	<u>18,929,062</u>	<u>-</u>

**Notes to the financial statement
For the year ended June 30, 2012**

	As at June 30, 2011				
	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>
Loan from associates	-	100,000,000	-	-	-
Long term finances	79,968,737	79,968,737	79,968,737	-	-
Liabilities against assets subject to finance lease	15,019,468	15,019,468	8,290,581	6,728,887	-
Long term payables	14,163,036	14,163,036	-	14,163,036	-
Short term borrowings	897,606,515	897,606,515	897,606,515	-	-
Mark-up accrued on borrowings	9,854,397	9,854,397	9,854,397	-	-
Trade creditors	202,966,918	202,966,918	202,966,918	-	-
Accrued liabilities	80,946,476	80,946,476	80,946,476	-	-
Unclaimed dividend	308,636	308,636	308,636	-	-
Other payables	50,537,679	50,537,679	50,537,679	-	-
	<u>1,351,371,862</u>	<u>1,451,371,862</u>	<u>1,330,479,939</u>	<u>20,891,923</u>	<u>-</u>
			June 30, 2012	June 30, 2011	
			Rupees	Rupees	

44.8 Market risk
44.8.1 Currency risk

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

Trade receivables	80,082,472	43,351,558
Cash and cash equivalents	5,553,082	16,981,969
Total exposure	<u>85,635,554</u>	<u>60,333,527</u>

All foreign currency balances are denominated in USD. Average exchange rate used during the year and spot exchange rate applied at the reporting date was PKR 89.64 / USD and PKR 94.40 / USD (2011: PKR 85.31 / USD and PKR 85.95 / USD) respectively. Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 91.63 / USD (2011: PKR 83.35 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 8,563,555 (2011: PKR 6,033,352). 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.

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	6,724,367	94,988,205

Variable rate instruments

Financial assets	18,544,654	14,844,654
Financial liabilities	696,500,000	897,606,515

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 6,965,000 (2011: PKR 8,976,065). 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.

**Notes to the financial statement
For the year ended June 30, 2012**

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 9.2.1 and 38 are as follow:

		30-Jun-12	30-Jun-11
		Rupees	Rupees
Nature of relationship	Nature of transactions		
Associated undertaking	Sales of yarn	662,073,610	668,261,043
	Sales of fabric	1,759,524	1,559,016
	Sales of cotton	34,361,726	58,075,404
	Sales of machinery, stores, spare parts and loose tools	560,137	1,357,471
	Services rendered	665,400	60,000
	Purchase of yarn	71,299,044	300,429,958
	Purchase of fabrics	-	5,831,173
	Purchase of cotton	80,940,798	4,052,485
	Purchase electricity	237,769,287	352,453,792
	Purchase of machinery, stores, spare parts and loose tools	635,050	-
	Services received	1,178,023	120,000
Retirement benefits			
Key management	Provision for gratuity	23,715,993	22,722,565
	Remuneration	1,920,000	1,920,000
Balance payable to related party in normal course of business transaction		16,273,310	-

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. In previous year the prices of yarn and cotton has decreased substantially after the balance date, therefore the valuation of raw material, work in process and finished goods as on 30th June 2011 has been made using the following accounting estimates and judgements;

**Notes to the financial statement
For the year ended June 30, 2012**
a Raw Material Valuation

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

b Finished Goods Valuation

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

c Work in Process Valuation

Work in process has been valued at value of cotton as determined in note 46.4 (a) plus overhead cost.

d Waste Valuation

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

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."

	30-Jun-12 Rupees	30-Jun-11 Rupees
47 PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of spindles installed	68,736	68,736
Number of rotors installed	192	192
Number of looms installed	140	140
Number of spindles worked	68,736	68,736
Number of rotors worked	-	-
Number of looms worked	140	140
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,200,746	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	24,162,615	25,694,021
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	24,212,723	27,527,198

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

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

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 24th September 2012

49 RECLASSIFICATION

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



**Notes to the financial statement
For the year ended June 30, 2012**

From	TO	Nature	Amount Rupees
Trade deposit and short term prepayments Trade deposit	Long term deposit		20,000

50 GENERAL

The figures have been rounded off to the nearest Rupee.

**Khurram Salim
Chief Executive**

**Mohammad Shakeel
Director**

Year wise Operating Data

Year Ended 30th June

2012	2011	2010	2009	2008	2007
------	------	------	------	------	------

Spinning Unit

Spindle installed	68,736	68,736	68,736	68,736	68,736	68,736
Spindle worked	68,736	68,736	68,736	68,736	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746
Actual production after conversion in to 20/s count (Kgs)	24,162,615	25,694,021	26,019,888	26,346,958	26,346,958	23,916,723

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)	24,212,723	27,527,198	23,665,124	24,985,060	29,025,904	33,878,770

Year wise Financial Data

Year Ended 30th June

	2012	2011	2010	2009	2008	2007
Rupees in Thousands						
Fixed assets	1,530,549	1,534,156	1,573,154	1,724,335	1,841,843	1,995,219
Investments, long term loans and deposits	11,640	12,765	20,485	40,749	11,494	11,952
Current assets	1,970,559	2,202,001	1,517,201	1,366,386	1,544,122	1,393,808
Shareholders equity	2,420,340	2,203,752	1,400,553	984,716	909,841	853,436
Long term liabilities	1,681	6,728	89,184	518,333	610,159	793,958
Deferred liabilities	165,341	153,729	169,574	203,565	186,926	162,471
Current liabilities	1,043,490	1,430,481	1,418,424	1,339,149	1,616,482	1,500,363
Turnover (Net)	6,372,946	7,545,581	4,800,841	3,781,556	3,477,248	3,521,088
Gross profit	810,253	1,477,484	901,722	496,257	409,440	476,569
Operating profit	510,745	1,157,360	650,569	389,412	30,844	386,589
Financial charges	144,613	224,088	231,441	289,788	220,877	200,980
Profit before tax	366,131	933,272	419,128	99,624	99,967	185,609
Profit after tax	366,131	863,199	421,836	80,874	63,905	123,766
Cash Dividend	90,000	60,000	6,000	6,000	7,500	7,500
Transfer to reserves	300,200	700,000	400,000	50,000	100,000	100,000
Profit carried forward	90,340	173,752	70,553	54,716	29,841	73,436

**Pattern of Shareholding
As At 30th June 2012**

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
142	1	100	9,633
33	101	500	9,452
8	501	1000	6,960
12	1001	5000	27,154
3	10001	15000	36,000
1	15001	20000	18,801
2	20001	25000	43,984
1	30001	35000	30,372
1	40001	45000	42,780
4	50001	55000	204,938
3	60001	65000	181,600
3	70001	75000	216,400
2	80001	85000	165,600
2	155001	160000	317,900
1	165001	170000	165,142
1	170001	175000	170,400
1	250001	255000	250,176
1	265001	270000	267,825
1	330001	335000	334,283
1	495001	500000	500,600
223			3,000,000

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

List of Shareholders As At 30 June, 2012

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	1.68	50,674
	MR. SAQIB SALEEM	1.68	50,490
	MR. MUHAMMAD QASIM	5.28	158,400
	MR. FAISAL SHAKEEL	8.33	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. ANJUM BEGUM	5.50	165,142
	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	0.37	11,000
3	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.35	70,500
	HABIB METROPOLITAN BANK LIMITED	0.00	148
	ARIF HABIB CORPORATION LIMITED	0.63	18,801
4	JOINT STOCK COMPANIES		
	S.S.CORPORATION (PVT) LTD	0.02	600
5	INDIVIDUAL SHAREHOLDERS	2.11	63,446
6	OTHERS COMPANIES	0.00	5
	TOTAL	100.00	3,000,000
	DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOSES AND MINOR CHILDREN		NIL
6	SHAREHOLDERS HOLDING 10% OR MORE		
	MRS. SAMIA BILAL	11.14	334,283
	ADMIRAL (PVT) LTD	16.69	500,600

**Categorywise Summary of Shareholders
As At 30th June 2012**

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer and their spouse and minor children	15	1,537,460	51.25
2	Associated Companies, Undertaking and Related Parties	10	1,309,040	43.64
3	NIT & ICP	-	-	-
4	Bank / Financial Institution	2	18,949	0.63
5	Insurance Companies	1	70,500	2.35
6	General Public / Individuals	193	63,446	2.11
7	Joint Stock Companies	1	600	0.02
8	Others Companies	1	5	0.00
		223	3,000,000	100.00

THE ABOVE STATEMENTS INCLUDE 137 SHARES HOLDER HOLDING 634,300 SHARES THROUGH THE CENTRAL DEPOSITORY COMPANY OF PAKINSTAN LIMITED (CDC)

PROXY FORM

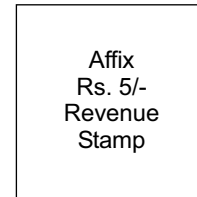
I/We _____
of _____
being a member of **BHANERO TEXTILE MILLS LIMITED** and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 33rd Annual General Meeting of the Company to be held on
Wednesday 24th October 2012 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 _____ 2012

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