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. Mohammad Salim	Chief Executive / Director
	Mr. Mohammad Sharif	Director
	Mr. Mohammad Shaheen	Director
	Mr. Khurram Salim	Director
	Mr. Bilal Sharif	Director
	Mr. Mohammad Amin	Director
	Mr. Adil Shakeel	Director
	Mr. Faisal Shakeel	Director
Company Secretary	Syed Asshraf Ali FCA	
Chief Financial Officer	Mr. Anwar Hussain FCA	
Audit Committee	Mr. Bilal Sharif	Chairman
	Mr. Khurram Salim	Member
	Mr. Faisal Shakeel	Member
Auditors	M/s Mushtaq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road Karachi.	
Legal Advisor	Mr. Shahid Pervaiz Jamil	
Bankers	Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited HSBC Middle East Bank Limited Standard Chartered Bank (Pakistan) Limited MCB Bank Limited Meazan Bank Limited United Bank Limited RBS Bank	
Share Registrar	Hameed Majeed Associates (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi-74900, Pakistan Tel : 021 - 5115177 - 80 Fax : 021 - 5063002 - 3 Email : khioff@umergroup.com Website : www.umergroup.com	
Liason / Correspondence Office	9th Floor, City Towers, 6-K, Main Boulevard, Gulberg II, Lahore Tel: (042) 111 130 130 Fax: (042) 5770015 Email: lhroff@umergroup.com Website: www.umergroup.com	
Mills At:	Unit I is situated at Kotri District Dadu Tel: (0221) 870013	
	Unit II and III is situated at Feroz Watwan, Sheikhupura, Punjab. Tel: (056) 3731723	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 30th Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Friday 23rd October 2009 at 3:30 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 24th October, 2008.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2009 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 20% (i.e. PKR 2.0 per share) for the year ended 30th June, 2009, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2009-2010 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

(by the order of the Board)

Karachi
Dated: 25th September, 2009

Syed Asshraf Ali
FCA
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 21st October 2009 to 31st October, 2009 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 20th October 2009 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2009.
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 thirtieth annual report and the audited financial statements of the company for the year ended June 30, 2009. 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

During financial year ended 30th June 2009, despite global and domestic economic recession, by the grace of Al-Mighty Allah your company performed well during the financial year ended 30th June 2009 and maintained the position among the market leaders both in domestic and international markets.

Industry Scenario

After years of substantial growth, Pakistan's economy lost its momentum last year, with many factors contributing towards the decline of the economic progress. The aftershocks continued to impact the economy in the year under review. The crisis hampered Pakistani exports and led to the uncertainty that followed the melt down coupled with devaluation and the closure of capital market not only slowed down the foreign direct investment. GDP have grown by 2.4 percent in financial year 2008-09, the worst since financial year 2000-01. The energy shortages, political instability and high interest rates have all contributed to weakening economic indicators. Overall manufacturing sector posted a negative growth rate of 3.3 percent during the last fiscal year against the target of 6.1 percent. Large scale manufacturing witnessed a broad-based decline of 7.7 percent against the revised growth target of negative 5.0 percent.

Pakistan's textile industry is also going through one of the toughest periods in decades. The global recession which has hit the global textile really hard is not the only cause for concern. Serious internal issues plague Pakistan's textile industry. The high cost of production resulting from an incessant rise in the energy costs has been the primary cause of concern for the industry. Depreciation of Pakistani rupee during last year and half has significantly raised the cost of imported inputs. Furthermore, double digit inflation and high cost of financing has seriously impaired the growth in the textile industry.

Pakistan's textile exports in turn have gone down or at best been stagnant as exporters cannot effectively market their produce since buyers are not visiting Pakistan due to adverse travel advisory and it is getting more and more difficult for the exporters to travel abroad.

Textile products like knitwear, fabric and readymade garments account for over half of the Pakistani exports. Tough competition in international markets and falling industrial output at home have hampered the exports this year. Exports of textile products decreased to 7.58% during current fiscal year as compared to last year.

The government certainly needs to play its part to help the industry in order to survive these difficult times. The government has so far approved a mark-up subsidy of 3% to the spinning sector for a period of two years. The period began from July 1, 2007 and ends on June 30, 2009. PKR 1.7 billion has been earmarked against the 3% subsidy, by depositing the same with the State Bank of Pakistan. Besides, the similar relief has also been extended for 2009-10 as well.

State Bank of Pakistan should also play its role by reducing KIBOR to single digit in order to avoid a severe decline in exports. A five-year comprehensive textile policy has been announced in which government has decided to set the textile export target at $25 billion for the next five years. This is indeed a very optimistic goal which can be met only if all the stakeholders play and take their responsibilities seriously.

Operating Results and Profit Appropriation

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

Your company continued to perform well despite toughest business and economic conditions and posted profit before taxation for the year ended 30th June 2009 PKR 99.624 Million (30th June 2008: PKR 99.967 Million). The operating results and allocation of profit for the year ended 30th June 2009 is summarized as under;

	2009 RUPEES	2008 RUPEES
Sales	3,781,566,514	3,582,100,976
Gross profit	496,256,991	418,757,916
Profit before taxation	99,624,279	99,967,525
Taxation	(18,749,750)	(36,061,983)
Profit after taxation	80,874,529	63,905,542
Un-appropriated profit brought forward	29,841,969	73,436,427
Profit available for appropriation	110,716,498	137,341,969
Appropriations:		
Dividend paid	(6,000,000)	(7,500,000)
Transferred to General Reserve	(50,000,000)	(100,000,000)
Un-appropriated profit carried forward	54,716,498	29,841,969
Basic and diluted earning per share	26.96	21.30

During the year under review, the cost of production of your company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation. Cost of imported cotton is higher than last year without corresponding increase in selling rates of yarn.

Gross profit for the year under review is amounting to PKR 496.256 million as compared to PKR 418.757 million in prior year which is increased by 18.5%. Whereas profit before taxation for the year under review is amounting to PKR 99.624 million as compared to PKR 99.967 million in prior year.

Pakistan's cotton output in 2008-09 fell to 11.3 million bales, well below the original target of 14.1 million bales which was mainly because of shortage of water, pest attacks and a roughly 7.7% cut in the area under cotton cultivation from the year before.

Dividend

The board of directors is pleased to recommend a final cash dividend of 20% i.e PKR 2.0 per share (June 2008: 20% i.e. PKR 2.0 per share) for the approval of shareholders at the forthcoming annul general meeting.

Balance Sheet

Balance sheet footing has decreased to PKR 3,134.049 million this year. Long term borrowing at the year end reduced to PKR 509.066 million (2008: PKR 610.159 million). Gearing ratio was 1.65 at 30th June 2009 as compared to 2.05 at 30th June 2008. The liquidity position of the company is satisfactory with a current ratio of 1.02 at 30th June 2009. The total of shareholders' fund stood at PKR 984.716 million (2008: PKR 909.841 million).

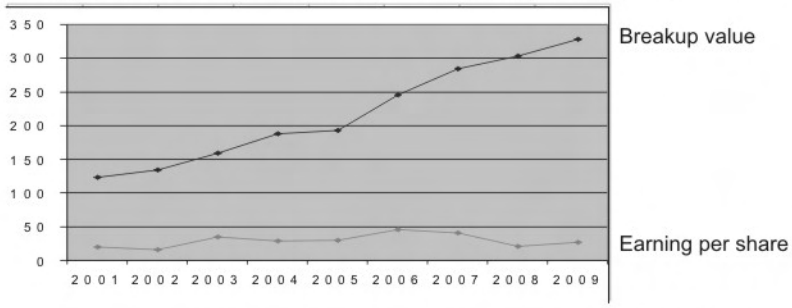
Cash Flow Management

Board of directors places great importance at an effective cash flow management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Cash generated from operations amounted to PKR 745.376 million during the year as compared to PKR 352.355 million. Borrowing rates which were 10 11% in the corresponding period of last year increased and ranged between 13% 17% during the current year, resultantly financing cost increased by 29%.

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2009 is PKR 328.23 (30th June 2008: PKR 303.28). The Earning per Share (EPS) of your company for the year ended 30th June 2009 is PKR 26.96 (30th June 2008: PKR 21.30).



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 in your company 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.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
    - Statement of pattern of shareholding has been given separately.
    - Statement of shares held by associated undertakings and related persons.
    - Statement of the board of directors meetings held during the year and attendance by each director has been given separately.
    - Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Change in the Board of Directors

The board would like to place on record its appreciation on the valuable contribution made by the outgoing director Mr. Mohammad Shakeel towards progress of the company. The causal vacancy so occurred during the year was filled within 14 days of such vacancy. The Board also welcomes Mr. Faisal Shakeel who joined the board as a director in place of the outgoing director. Mr. Mohammad Shakeel.

Change in the Audit Committee

Mr. Faisal Shakeel was also nominated by the board on the Audit Committee as member in place of Mr. Mohammad Shakeel.

Related Party transaction and Transfer Pricing

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

Audit Committee

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

Financial statements

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

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2009 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements.

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

Pattern of Shareholding

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

No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Auditors
The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 30th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 30th annual general meeting until the conclusion of 31st 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 2010. 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 all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

Expansion Plan
In view of the current economic scenario where the cost of financing and production is rapidly increasing and recent expansion of the company, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

Business Risks, Challenges and Future Outlook
Pakistan economy is continuously under pressure, inflation and social disruptions arising from law and order situations are major concerns for business activities in country. Rising inflation and high markup rates may have severe adverse impact on the growth of the economy.

The cotton crop so far is in good condition based on goods and healthy monsoon season. The area of cultivation has been increased and more BT cotton has been sown. It is estimated that the overall production can reach 12.0 million bales during 2009-2010. World stocks in 2009-2010 are expected to decline because of slightly lower production and higher consumption. World ending stocks by August 2010 are projected to fall 7 % to 57.8 million.

Domestic cotton consumption is expected to be around 14.0 to 15.0 million bales and Pakistan will have to import balance quantity. International cotton market is also at high tune as compared to last year. The market will likely be fairly bullish until the size of the 2009-2010 local and foreign crops are better known.

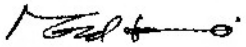
As the world economy will improve, Pakistan should be in a good position to reap some benefits, due to its competitive position in some areas.

Major threat for textile industry is power disruption due to shut down of gas in Punjab during winter season. Because of shut down of gas supply in Punjab during winter season, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost . Furnace Oil prices have also been increased substantially during the year ended 30 June 2009 and reach upto PKR 55,263 per tons.

The prospects of a cut in the discount rate by the State Bank of Pakistan is expected in the upcoming Monetary Policy, introduction of a new leverage product in the capital market and improved corporate earnings would help spawn another positive run in the equity market.

We are fully cognizant of the current economic conditions and events and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control limit of management. But your management is not hopeful to have good results until the attitude of government is not changed for textile sector.

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



MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE YEAR ENDED 30th JUNE, 2009

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

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

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. Casual vacancy in board of directors was occured during the year ended 30th June 2009 which was filled by the board of directors in compliance of the requirements of Companies Ordinance 1984.
6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFI. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.

16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP)

19. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors meeting for their consideration and formal approval.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the code have been complied with.

Karachi
Dated: 25th September, 2009

Mohammad Salim
Chief Executive / Director

MUSHTAQ & CO.
CHARTERED ACCOUNTS

407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200,
Pakistan

Tel; 2638521-4 Fax: 2639843
Email: hmi@cyber.net.pk

Branch Office:
19-B, Block-G,
Gulberg-III
Lahore.

Tel: 850834, 5865618

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practice contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009 prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulation of the Stock Exchanges 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 regulations (xiii) of Listing Regulations NO 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 20098 requires the company to place before the board of directors for their considerations and approval related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transaction 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 director and placement of such transactions before the audit committee., We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Karachi
Dated: 25th September, 2009

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

Engagement Partner
Shahab-uddin A.Siddiqui

MUSHTAQ & CO.
CHARTERED ACCOUNTS

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Lahore.

Tel: 850834, 5865618

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Bhanero Textile Mills Limited** as at June 30, 2009 and the related profit and loss account, 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 purposes 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 verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(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 account and are further in accordance with accounting policies consistently applied,

  (ii) the expenditure incurred during the period 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, 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, 2009 and of the profit, 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 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Karachi
Dated: 25th September, 2009

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

Engagement Partner
Shahab-uddin A.Siddiqui

BALANCE SHEET

	NOTE	June 30, 2009 Rupees	June 30, 2008 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2008: 6,000,000) ordinary shares of Rs.10 each		**60,000,000**	60,000,000
Issued, subscribed and paid up capital	5	30,000,000	30,000,000
General Reserve		900,000,000	850,000,000
Unappropriated profit		54,716,498	29,841,969
		984,716,498	909,841,969
Loans from sponsors and relatives	6	**89,285,715**	79,719,388
NON CURRENT LIABILITIES			
Long term financing - secured	7	**509,066,345**	610,159,699
Liabilities against assets subject to finance lease	8	**8,266,315**	-
Long Term Murabaha	9	-	-
Deferred liability	10	**203,565,542**	186,926,627
		720,898,202	797,086,326
CURRENT LIABILITIES			
Trade and other payables	11	189,338,230	182,097,547
Mark-up accrued on loans and other payables	12	45,511,678	33,453,362
Short term borrowings - secured	13	891,074,535	1,047,504,825
Current portion of long term borrowings	14	213,224,878	333,798,704
		1,339,149,321	1,596,854,438
CONTINGENCIES AND COMMITMENTS	15	-	-
		3,134,049,736	3,383,502,121

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

MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

Karachi
Dated: 25th September, 2009

AS AT JUNE 30, 2009

	NOTE	June 30, 2009 Rupees	June 30, 2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	**1,724,335,447**	**1,841,843,191**
Capital work in progress	17	**2,578,358**	**5,670,204**
LONG TERM INVESTMENTS	18	**375,000**	**375,000**
LONG TERM LOANS	19	**10,245,254**	**8,625,498**
LONG TERM DEPOSITS	20	**30,128,996**	**2,493,936**
		1,767,663,055	**1,859,007,829**
CURRENT ASSETS			
Stores, spares and loose tools	21	39,555,782	49,686,470
Stock in trade	22	799,754,468	961,825,972
Trade debts	23	443,988,669	417,069,166
Loans and advances	24	5,500,802	9,742,545
Trade deposits and short term prepayments	25	23,522,470	20,223,378
Other receivables	26	5,055,824	5,905,247
Taxation	27	19,063,451	32,307,237
Sales tax refundable	28	7,279,625	9,205,000
Cash and bank balances	29	22,665,590	18,529,277
		1,366,386,681	**1,524,494,292**
		3,134,049,736	**3,383,502,121**

MOHAMMAD SHARIF
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	Year ended June 30, 2009 Rupees	Year ended June 30, 2008 Rupees
Sales	30	3,781,556,514	3,582,100,976
Cost of goods sold	31	(3,285,299,523)	(3,163,343,060)
Gross profit		**496,256,991**	**418,757,916**
Other operating income	32	2,754,619	1,844,924
		499,011,610	**420,602,840**
Distribution cost	33	(44,709,501)	(40,274,700)
Administrative expenses	34	(59,646,256)	(51,769,692)
Other operating expenses	35	(5,243,382)	(4,194,048)
Finance cost	36	(289,788,192)	(224,396,875)
		(399,387,331)	**(320,635,315)**
Profit before tax		**99,624,279**	**99,967,525**
Provision for taxation	37		
Current year		(16,382,083)	(18,081,657)
Prior year		(88,425)	2,557,766
Deferred		(2,279,242)	(20,538,092)
		(18,749,750)	(36,061,983)
Profit after tax		**80,874,529**	**63,905,542**
Earnings per share - basic and diluted	38	**26.96**	**21.30**

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

MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

MOHAMMAD SHARIF
DIRECTOR

Karachi
Dated: 25th September, 2009

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Year ended June 30, 2009 Rupees	Year ended June 30, 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	99,624,279	99,967,525
Adjustments for:		
Depreciation on property, plant and equipment	176,981,285	187,324,640
Provision for employees' benefits	18,792,167	12,032,945
Infrastructure fee	4,847,235	4,953,151
Loss due to change in the fair value of investments available for sale	-	50,000
(Gain) on disposal of property, plant and equipment	(887,716)	(391,473)
Finance cost	289,788,192	224,396,875
Operating cash flows before changes in working capital	589,145,442	528,333,663
(Increase)/decrease in current assets		
Inventories	172,202,192	(144,479,328)
Trade debts	(26,919,503)	(43,453,548)
Loans and advances	4,241,743	(4,675,883)
Trade deposits	(3,299,092)	7,528,545
Other receivables	849,423	(787,222)
Sales tax refundabe	1,925,375	7,099,889
	149,000,138	(178,767,547)
Increase in trade and other payables	7,230,498	2,789,751
Cash generated by operations	745,376,078	352,355,867
Finance cost paid	(268,163,549)	(240,645,453)
Employees' benefits paid	(9,279,729)	(13,068,647)
Income taxes paid	(3,226,722)	(22,415,357)
Long term loans	(1,619,756)	619,818
Long term deposits	(27,635,060)	(211,385)
	(309,924,816)	(275,721,024)
Net cash used in operating activities	435,451,262	76,634,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,539,000	1,450,000
Purchase of property, plant and equipment	(57,032,979)	(31,428,712)
Net cash used in investing activities	(55,493,979)	(29,978,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term financing	(209,832,394)	(318,571,431)
Payment of long term financing -murabaha	(15,227,272)	(21,818,182)
Proceeds from long term loans	-	150,000,000
Proceed from liability against assets subject to finance lease	13,929,870	
Payment of liability against assets subject to finance lease	(2,271,069)	(10,371,656)
Short term bank borrowings	(156,430,290)	124,516,928
Dividend paid	(5,989,815)	(7,500,000)
Net cash from financing activities	(375,820,970)	(83,744,341)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,136,313	(37,088,210)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	18,529,277	55,617,487
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**22,665,590**	**18,529,277**

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

MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

Karachi
Dated: 25th September, 2009

MOHAMMAD SHARIF
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	SHARE CAPITAL	GENERAL RESERVES	UN-APPROPRIATED PROFIT	TOTAL
	← RUPEES →			
Balance as at June 30, 2007	**30,000,000**	**750,000,000**	**73,436,427**	**853,436,427**
Profit for the year ended June 30, 2008.	-	-	63,905,542	63,905,542
Transfer to general reserves	-	100,000,000	(100,000,000)	-
Final dividend paid for the year ended June 30, 2007 at the rate of PKR 2.5 per share	-	-	(7,500,000)	(7,500,000)
Balance as at June 30, 2008	**30,000,000**	**850,000,000**	**29,841,969**	**909,841,969**
Profit for the year ended June 30, 2009.	-	-	80,874,529	80,874,529
Final dividend paid for the year ended June 30, 2008 at the rate of Rs. 2.0 per share	-	-	(6,000,000)	(6,000,000)
Transfer to general reserves	-	50,000,000	(50,000,000)	-
Balance as at June 30, 2009.	**30,000,000**	**900,000,000**	**54,716,498**	**984,716,498**

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

MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

MOHAMMAD SHARIF
DIRECTOR

Karachi
Dated: 25th September, 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

1.2 The company is principally engaged in manufacturing and sales of yarn and fabric. The production facilities are located at Nooriabad, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhupura in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement 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 Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan 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

- IFRS - 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosures requirements of IAS - 32 Financial Instruments : Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.

- IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.

- IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.

- IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 01 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

- The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.

- Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.

- Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group losses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.

- IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.

- Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.
- Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

- Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The

amendments are not likely to have an effect on company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.

- Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.

- IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.
- IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them.

- IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

- IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any

entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to

- IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

- IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Borrowings

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

3.2 Employee benefits

Short term employees benefits

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

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

Post retirement benefits

Defined benefit plans

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

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.
Actuarial gains and losses are recognized in profit or loss for the period in which these arise.

3.3 Taxation

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

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% 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 related tax benefits 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 recognised 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 costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. 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 significant.

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

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

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

3.12 Stock-in-trade
Stock-in-trade is stated at the lower of cost and net realizable value applying the following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net relisable value

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 recognised when significant risks and rewards of ownership are transferred to the buyer.

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

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

3.16 Borrowing costs

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

3.17 Impairment

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

3.18 Foreign currency translation

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

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

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Transactions with related party

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Except for loan from sponsors/ relatives which has been carried at amortized cost, which has been computed using an imputed interest rate of 12.0% per annum. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

4 Capital Management

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30 2009	June 30 2008		June 30 2009	June 30 2008
No. of Shares			Rupees	
1,762,500	1,762,500	Ordinary shares of Rs. 10 each allotted for consideration - fully paid in cash	17,625,000	17,625,000
1,237,500	1,237,500	- issued as fully paid bonus shares	12,375,000	12,375,000
3,000,000	3,000,000		30,000,000	30,000,000

6 LOAN FROM SPONSORS AND RELATIVES

Face value of loan	**100,000,000**	100,000,000
Imputed interest income	**(10,714,285)**	(20,280,612)
	89,285,715	79,719,388

This loan has been obtained from sponsors of company and their relatives, and it is interest free. The loan is repayable by 30th June 2011, however there is no fixed schedule for repayment of this loan. The loan has been carried at amortised cost which has been computed using an imputed interest rate of 12.0% per annum.

7 LONG TERM FINANCING - secured

From financial institutions		LTF - (EOP) loans	NON-LTF loans	June 2009 Rupees	June 2008 Rupees
Term Loan	**7.1**	-	150,000,000	**150,000,000**	150,000,000
Term Loan	**7.2**	23,047,595	81,561,924	**104,609,519**	149,999,999
Term Loan	**7.3**	137,213,902	22,809,776	**160,023,678**	228,571,427
Term Loan	**7.4**	184,134,791	27,772,896	**211,907,687**	280,159,705
Term Loan	**7.5**	61,789,267	30,568,586	**92,357,853**	120,000,000
		406,185,555	**312,713,182**	**718,898,737**	928,731,131
Less: current maturity					
Term Loan	**7.1**	-	-	**-**	-
Term Loan	**7.2**	4,609,519	40,780,964	**45,390,483**	50,000,000
Term Loan	**7.3**	45,737,968	22,809,776	**68,547,744**	114,285,716
Term Loan	**7.4**	46,033,698	22,218,320	**68,252,018**	114,285,716
Term Loan	**7.5**	12,357,853	15,284,294	**27,642,147**	40,000,000
		108,739,038	**101,093,354**	**209,832,392**	318,571,432
		297,446,517	**211,619,828**	**509,066,345**	610,159,699

	Security	Repayment	Markup on LTF	Markup on NON- LTF
7.1	Equitable mortage charge of PKR 553 M registered on 14-Mar 05 through a supplementary MOTD dated 08-March-05 on that all piece and parcel of land with all construction, fixtures and fittings, theron and machinery installed therin, bearing plot # E/2, SITE, Kotri.	After Thirty Six month from the date of disbursement	**-**	**1 month KIBOR + 0.40 %**
7.2	First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly installments, commencing from September 16, 2006.	**7%**	**6 Months KIBOR+1% (2008: 6 Months KIBOR + 1%)**

	Security	Repayment	Markup on LTF	Markup on NON- LTF
7.3	First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura	Repayable in fourteen semi annual installments with expiry date by June 24, 2011.	**7%**	**3M KIBOR+1% (2008: 3KIBOR + 1%)**
7.4	First pari passu equitable mortgage charge over land and building and 1st parri passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura	Repayable in fourteen semi annual installments with expiry date by July 19, 2010.(Non - LTF) & by October 31, 2011. (LTF).	**7%**	**3M KIBOR+1% (2008: 3KIBOR + 1%)**
7.5	First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhupura-Faisalabad Road, sheikhupura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	**7%**	**6M KIBOR+2.25% (2008 : 6M KIBOR + 2.25 %)**

7.6 The company has entered into two **interest rate swap** agreements with various banks for a notional amount of PKR 400.0 Million (2008: 650 Million), maturing upto October 2011. The outstanding balance of these arrangements is PKR 211.907 Million (2008: 378.571 Million) as at the balance sheet date. Under the swap arrangements, the company would receive three and six months KIBOR rates and pay fixed rates of mark-up ranging between 10.25% to 10.90% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR 5.2 Million (2008: PKR 0.904 Million) favourable and unfavourable respectively.

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payment are payable in thirty six equal monthly installments. The internal rate of return is 17% (2008: Nil) per annum are used as discounting factor. The lease agreement contains bargain purchase option.

Taxes, repairs, replacement and insurance costs are borne by the company.

		June 30, 2009 Rupees	June 30, 2008 Rupees
Present value of minimum lease payments		**11,658,801**	**-**
Current portion	14	**(3,392,486)**	**-**
		8,266,315	**-**

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

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Gross minimum lease payments			
Not later than one year		4,782,828	-
Later than one year but not later than five years		9,147,042	-
		13,929,870	-
Finance charges allocated to future period			
Not later than one year		1,390,342	-
Later than one year but not later than five years		880,727	-
		2,271,069	-
Present value of minimum lease payments		11,658,801	-
Not later than one year		3,392,486	-
Later than one year but not later than five years		8,266,315	-
		11,658,801	-
Current portion		(3,392,486)	-
		8,266,315	-
9 LONG-TERM MURABAHA			
From commercial bank		-	15,227,272
Current portion	14	-	(15,227,272)
		-	-

The loan is secured by first pari passu charge over property, plant and equipment of Unit-II situated at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura to the extent of PKR 172 million. The loan is repayable in eleven equal installments with six months grace period. Mark up is payable in twelve semi-annual installments in arrears. Mark-up rate is 3 month KIBOR+0.5% per annum (2008: SBP's 3 month KIBOR+0.5 % per annum.)

10 DEFERRED LIABILITIES

Employee benefits	**10.2**	**45,777,015**	36,264,577
Deferred taxation	**10.3**	**133,654,155**	131,374,913
Infrastructure fee	**10.4**	**24,134,372**	19,287,137
		203,565,542	186,926,627

10.1 Valuation has been carried out internally by the management of the Company as at June 30, 2009 using the projected unit credit method assuming a discount rate of 14% (2008: 12%) per annum and expected rate of increase in salaries at 14% (2008: 12%) per annum.

10.2 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		**36,264,577**	37,300,279
Charged to profit and loss account	**10.2.1**	**18,792,167**	12,032,945
Benefits paid during the year		**(9,279,729)**	(13,068,647)
Present value of defined benefits obligation - at the end of the year		**45,777,015**	36,264,577

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

Current service cost	**14,147,971**	9,516,275
Interest cost	**1,874,448**	1,090,375
Actuarial (gains) / losses recognized during the period	**2,769,748**	1,426,295
Net amount chargeable to profit and loss account	**18,792,167**	12,032,945

10.2.2 There is no unrecognised actuarial loss / gain.

10.2.3 Historical information

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of defined benefits obligation	45,777,015	36,264,577	37,300,279	34,077,971	31,131,840
Actuarial adjustments on plan liabilities	2,769,748	1,426,295	4,227,320	2,263,023	1,211,831

10.3 Deferred taxation

	June 30, 2009 Rupees	June 30, 2008 Rupees
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation on owned assets	**146,044,452**	155,307,574
Provision for employee benefit	**(9,246,755)**	(6,512,033)
Finance lease	**(380,437)**	-
Provision for doubtful debts	**(2,763,105)**	(2,315,676)
Unused tax losses	**-**	(15,104,952)
	(12,390,297)	(23,932,661)
	133,654,155	131,374,913

10.4 This represents levy of infrastructure fee payable to Excise and Taxation Department Government of Sindh. The Company has filed a suit in the Honourable High Court of Sindh against the levy of said fee on imports by the company. On the direction of Honourable Sindh High Court the goods of the Company are being released against furnishing of bank guarantee during the pendancy of the suit.

11 TRADE AND OTHER PAYABLES

Creditors		**114,718,014**	120,252,528
Accrued liabilities		**58,160,849**	46,696,185
Workers' profit participation fund	**11.1**	**15,387,655**	13,986,866
Unclaimed dividend		**246,176**	235,991
Others		**825,536**	925,977
		189,338,230	182,097,547

11.1 Workers' profit participation fund

Opening balance		**13,986,866**	19,370,478
Interest on funds utilized in the Company's business	**11.1.1**	**2,502,684**	2,450,542
		16,489,550	21,821,020
Paid to the fund		**(6,345,277)**	(12,028,203)
		10,144,273	9,792,817
Allocation for the year	**35**	**5,243,382**	4,194,049
		15,387,655	13,986,866

11.1.1 Interest on workers' profit participation fund has been provided @ 18.75% (2008: 18.75%) per annum.

		June 30, 2009 Rupees	June 30, 2008 Rupees
12 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
Mark-up accrued on secured:			
- long-term financing		11,561,971	16,977,319
- short-term borrowings		33,830,785	16,476,043
- liabilities against assets subject to finance lease		118,922	-
		45,511,678	33,453,362
13 SHORT TERM BORROWINGS - SECURED			
From banking companies			
Short term loan	13.2	888,952,309	975,140,185
Over Draft		2,122,226	72,364,640
		891,074,535	1,047,504,825

13.1 The aggregate approved short term borrowing facilities amounted to PKR 2,660 million (2008: PKR 2,660.0 million).

13.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.5% to 1.5 % (2008: 1 to 3 month KIBOR + spreads between 0.5 to 1.5%) per annum payable quarterly. These are secured against hypothecation charge on stock, stores and receivables.

14 CURRENT PORTION OF LONG TERM BORROWINGS			
Long-term financing	**7**	**209,832,392**	318,571,432
Liabilities against assets subject to finance lease	**8**	**3,392,486**	-
Long-term murabaha	**9**	**-**	15,227,272
		213,224,878	333,798,704

15 CONTINGENCIES AND COMMITMENTS

Contingencies

15.1 The Company has issued indemnity bonds amounting to PKR Nil million (2008 : PKR 17.99 million) and post dated cheques amounting to PKR 699,753 (2008: PKR 1,348,429) in favour of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds and post dated cheques furnished by the company are likely to be released after the fulfillment of term of related SROs.

15.2 In normal course of business, commercial banks have issued guarantees on behalf of the company amounting to PKR 41.346 Million (2008: PKR 41.346 Million)

15.3 Bills discounted.	**34,411,000**	85,966,251
Commitments		
Letter of credit	**14,035,466**	24,934,730
Capital work in progress	**-**	2,200,000
	14,035,466	27,134,730

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

16 PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2009

DESCRIPTION	COST				DEPRECIATION					Rate
	As at 01-07-08	Additions/ (Delections)	Transfer	As at 30-06-09	As at 01-07-08	For the Year	Transfers/ (disposal)	As at 30-06-09	Book value as at 30-06-09	
	RUPEES									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,161,224	-	-	121,161,224	-	-	-	-	121,161,224	-
		-	-			-	-			
Building on leasehold land	91,104,326	-	8,689,329	99,793,655	53,261,099	4,161,898	-	57,422,997	42,370,658	10%
Building on freehold land	287,463,237	-	1,144,426	288,607,663	100,735,718	18,754,755	-	119,490,473	169,117,190	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	8,530,416	1,054,385	-	9,584,801	20,033,319	5%
Office premises on freehold land	73,591,341	-	-	73,591,341	15,098,181	2,924,658	-	18,022,839	55,568,502	5%
		-	-			-	-			
Plant and machinery	2,192,101,286	849,984	30,073,007	2,222,560,677	861,775,515	134,613,625	-	996,155,547	1,226,405,130	10%
		(463,600)	-			-	(233,593)			
Equipments and other assets	16,931,027	1,076,000	2,113,073	20,120,100	5,589,911	4,474,249	-	10,064,160	10,055,940	33%
Electric Installation	22,449,872	-	-	22,449,872	5,021,204	1,742,867	-	6,764,071	15,685,801	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	1,443,193	573,710	-	2,016,903	5,163,386	10%
Cooling towers	4,528,720	-	694,850	5,223,570	952,163	386,608	-	1,338,771	3,884,799	10%
Ventilation system	1,461,897	-	-	1,461,897	222,939	123,896	-	346,835	1,115,062	10%
Boiler	18,244,925	-	-	18,244,925	2,800,565	1,544,436	-	4,345,001	13,899,924	33%
Factory equipments	17,343,644	-	307,996	17,651,640	12,956,975	546,459	-	13,503,434	4,148,206	10%
Office equipments	19,267,325	-	89,120	19,356,445	11,306,853	802,749	-	12,109,602	7,246,843	10%
Furniture and fixtures	5,966,600	-	224,480	6,191,080	3,440,107	257,406	-	3,697,513	2,493,567	10%
Vehicles	37,313,590	1,225,040	-	35,226,300	21,182,807	3,428,540	-	21,720,294	13,506,006	20%
		(3,312,330)				-	(2,891,053)			
	2,946,160,837	3,151,024	43,336,281	2,988,872,212	1,104,317,646	175,390,241	-	1,276,583,241	1,712,288,971	
	-	(3,775,930)	-		-		(3,124,646)	-	-	
Assets subject to finance lease										
Plant and machinery	-	-	-	-	-	-	-	-	-	10%
Vehicles		13,637,520	-	13,637,520		1,591,044	-	1,591,044	12,046,476	10%
	-	13,637,520	-	13,637,520	-	1,591,044	-	1,591,044	12,046,476	
June 30, 2009	2,946,160,837	16,788,544	43,336,281	3,002,509,732	1,104,317,646	176,981,285	-	1,278,174,285	1,724,335,447	
	-	(3,775,930)	-	-	-		(3,124,646)	-	-	

YEAR ENDED 30 JUNE 2008

DESCRIPTION	COST				DEPRECIATION					Rate
	As at 01-07-07	Additions/ (Delections)	Transfer	As at 30-06-08	As at 01-07-07	For the Year	Transfers/ (disposal)	As at 30-06-08	Book value as at 30-06-08	
	RUPEES									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	120,603,772	557,452	-	121,161,224	-	-	-	-	121,161,224	-
		-	-				-			
Building on leasehold land	89,743,797	-	1,360,529	91,104,326	49,194,868	4,066,231	-	53,261,099	37,843,227	10%
Building on freehold land	284,478,817	-	2,984,420	287,463,237	80,128,707	20,607,011	-	100,735,718	186,727,519	10%
							-			
Office premises on leasehold land	27,123,417	-	2,494,703	29,618,120	7,540,896	989,520	-	8,530,416	21,087,704	5%
Office premises on freehold land	70,426,020	-	3,165,321	73,591,341	12,075,126	3,023,055	-	15,098,181	58,493,160	5%
Plant and machinery	2,110,345,985	5,022,826	76,732,475	2,192,101,286	696,600,096	146,977,256	18,198,163	861,775,515	1,330,325,771	10%
Equipments and other assets	6,490,599	644,738	9,795,690	16,931,027	4,195,305	1,394,606	-	5,589,911	11,341,116	33%
Fast moving Items	-	-	-	-	-	-	-	-	-	33%
Electric Installation	22,449,872	-	-	22,449,872	3,084,685	1,936,519	-	5,021,204	17,428,668	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	805,738	637,455	-	1,443,193	5,737,096	10%
Cooling towers	4,528,720	-	-	4,528,720	554,768	397,395	-	952,163	3,576,557	10%
Ventilation system	1,461,897	-	-	1,461,897	85,277	137,662	-	222,939	1,238,958	10%
Boiler	18,244,925	-	-	18,244,925	1,084,525	1,716,040	-	2,800,565	15,444,360	33%
Factory equipments	15,718,324	1,625,320	-	17,343,644	11,862,732	1,094,243	-	12,956,975	4,386,669	10%
Office equipments	18,760,013	-	507,312	19,267,325	10,476,483	830,370	-	11,306,853	7,960,472	10%
Furniture and fixtures	5,923,239	43,361	-	5,966,600	3,163,197	276,910	-	3,440,107	2,526,493	10%
Vehicles	36,850,337	2,647,348	-	37,313,590	19,068,008	3,240,367	-	21,182,807	16,130,783	20%
		(2,184,095)	-				(1,125,568)			
	2,840,763,437	10,541,045	97,040,450	2,946,160,837	899,920,411	187,324,640	18,198,163	1,104,317,646	1,841,843,191	
	-	(2,184,095)	-		-		(1,125,568)	-	-	
Assets subject to finance lease										
Plant and machinery	72,574,928	-	(72,574,928)	-	18,198,163	-	(18,198,163)	-	-	10%
	72,574,928	-	(72,574,928)	-	18,198,163	-	(18,198,163)	-	-	
June 30, 2008	2,913,338,365	10,541,045	97,040,450	2,946,160,837	918,118,574	187,324,640	-	1,104,317,646	1,841,843,191	
	-	(2,184,095)	(72,574,928)	-	-		(1,125,568)	-	-	

Additions includes direct capitalization and transfer from capital work in progress.

Transfer to owned assets includes both transfers from capital work in progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

16.1 The depreciation charge for the period has been allocated as follows:

Cost of goods sold	31	170,632,982	182,477,493
Administrative expenses	34	6,348,303	4,847,147
		176,981,285	187,324,640

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

16.2 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2009

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
	RUPEES						
Machinery	463,600	233,593	230,007	400,000	169,993	Negotiation	M/s Ali Sher & Sons 64 Liaquat Market, M. A. Jinnah Road, Karachi
Vehicles							
KAR-5482	63,000	57,250	5,750	63,000	57,250	Negotiation	Mr. M. Salim Raza Khan R-735, 11-C-1, Sir Syed Town North Karachi
KDT-6761	58,490	2,925	55,565	56,000	435	Negotiation	UBL Insurance Limited 8th Floor, State Life Building no. 02 Karachi
ABR-311	586,155	538,899	47,256	300,000	252,744	Negotiation	Mr. Badar Naseer , Sui Northren Housing Society Lahore
LXH-1071	879,490	807,248	72,242	110,000	37,758	Negotiation	Mr. Abdul Muneer Khan H# 8/1, BLOCLK NO. 17, Lahore
LXO-3171	1,080,500	941,822	138,678	170,000	31,322	Negotiation	Mr. Sohail Akther H# 21 Street No. 3, Lahore
LXJ-9623	302,355	278,439	23,916	240,000	216,084	Negotiation	Syed Asad Akram H# 598/C Mahla Shad BaghLahore
LRG-9462	342,340	264,470	77,870	200,000	122,130	Negotiation	Mr. Wasif Khawaja H# 72/B Street No. 3, Lahore
30-Jun-09	3,775,930	3,124,646	651,284	1,539,000	887,716		

YEAR ENDED 30 JUNE 2008

Description	Cost	Accumulated Depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particular of buyer
VEHICLES	RUPEES						
ALR-215	1,198,000	219,633	978,367	950,000	(28,367)	Negotiation	EFU Houise Genaral Insurance., Karachi
ABS-136	687,475	611,659	75,816	390,000	314,184	Negotiation	Mr. Atta ullah. M.S 108, Shah Bari district Banu.
G-6974	298,620	294,276	4,344	110,000	105,656	Negotiation	Mr. Sajid Lai, Chak No 105/NP, Kanpur.
30-Jun-08	2,184,095	1,125,568	1,058,527	1,450,000	391,473		

		June 30, 2009 Rupees	June 30, 2008 Rupees
17 CAPITAL WORK IN PROGRESS			
Building and other civil work		2,257,683	5,462,209
Machinery		320,675	207,995
		2,578,358	5,670,204
18 LONG TERM INVESTMENTS			
Available for sale			
50,000 ordinary shares of Rs. 10 each.	**18.1**	500,000	500,000
Provision for diminution in the value of investments	**18.2**	(125,000)	(125,000)
		375,000	375,000

18.1 The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.
18.2 The market value of these shares was PKR 7.50 per share as at June 30, 2009 (June 2008: PKR 7.50 per share)

19 LONG TERM LOANS - SECURED			
Loan and advances to staff	**19.1**	14,865,212	14,305,678
Current portion shown under current assets		(4,619,958)	(5,680,180)
		10,245,254	8,625,498

19.1 These are interest free loan and advances to employees against future salaries and retirements benefits as per terms of employment and repayable over period of 2 to 5 years.

		June 30, 2009	June 30, 2008
20	**LONG TERM DEPOSITS**	**Rupees**	**Rupees**
	With leasing companies	1,972,800	-
	Electricity	27,087,820	2,305,560
	Telephone	67,900	67,900
	Others	1,000,476	120,476
		30,128,996	2,493,936
21	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	28,243,379	37,568,833
	Spares	5,751,830	6,509,417
	Packing material	**5,560,573**	5,608,220
		39,555,782	49,686,470

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

22	**STOCK IN TRADE**			
	Raw material		539,795,256	711,160,193
	Work in process		54,724,507	51,641,689
	Finished goods	**22.1**	203,906,137	198,373,077
	Waste		1,328,568	651,013
			799,754,468	961,825,972

22.1 Finished goods of PKR 2.345Million (2008: PKR 2.863) are being carried at net realizable value.

22.2 No item of stock in trade is pledge as security as at reporting date.

23	**TRADE DEBTS**			
	Foreign - secured against letter of credit		3,410,649	17,075,058
	Local - unsecured - considered good		440,578,020	399,994,108
	Local - unsecured - considered doubtful		6,978,974	6,978,974
			450,967,643	424,048,140
	Provision for doubtful debts.		(6,978,974)	(6,978,974)
			443,988,669	417,069,166
24	**LOANS AND ADVANCES**			
	Advances to :			
	Suppliers - unsecured but considered good		224,933	2,560,332
	Suppliers - unsecured and considered doubtful		4,750,000	4,850,000
	Prepaid expenses		655,911	1,502,033
	Current portion of loan to staff	**19**	4,619,958	5,680,180
			10,250,802	14,592,545
	Provision for doubtful supplier advances		(4,750,000)	(4,850,000)
			5,500,802	9,742,545
24.1	**Particulars of provision for doubtful receivables**			
	As at beginning of the year		4,850,000	5,000,000
	Provided during the year		-	-
	Recovered during the year		(100,000)	(150,000)
	As at end of the year		4,750,000	4,850,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

		June 30, 2009 Rupees	June 30, 2008 Rupees
25 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		20,000	730,482
Deposits against infrastructure fees	25.1	22,800,000	18,700,000
Short term prepayments		403,232	288,848
Margin against letter of credit		299,238	504,048
		23,522,470	20,223,378

25.1 Effective mark up rate on these deposits range from 5% to 7% (June 30, 2008: 5% to 7%) per annum.

26 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD			
L/C in transit		3,340,132	4,218,614
Other receivables		2,263,607	2,254,068
KMC refundable		499,259	499,259
		6,102,998	6,971,941
Provision for doubtful receivables		(1,047,174)	(1,066,694)
		5,055,824	5,905,247
27 TAXATION			
Adavance income tax		36,992,056	51,935,413
Provision for taxation		(17,928,605)	(19,628,176)
		19,063,451	32,307,237
28 SALES TAX REFUNDABLE			
Sales tax refundable		**7,279,625**	8,866,399
1% Special excise duty refundable		902,888	338,601
Provision for nonrefundable		(902,888)	-
		-	338,601
		7,279,625	**9,205,000**
29 CASH AND BANK BALANCES			
Cash in hand		-	-
Balances with banks on:			
Current accounts		22,566,347	18,445,971
Foreign currency account - current		99,243	83,306
		22,665,590	18,529,277
30 SALES - NET			
Export			
Yarn		606,903,187	715,941,453
Fabric		401,111,357	1,160,552,615
		1,008,014,544	1,876,494,068
Export rebate		121,300	311,851
		1,008,135,844	1,876,805,919
Local			
Yarn		1,619,352,043	1,156,651,594
Fabric		1,125,261,255	429,831,447
Cotton		10,552,728	106,238,813
Processing		8,982,790	-
Waste		53,987,210	47,115,528
		2,818,136,026	1,739,837,382
Gross Sales		3,826,271,870	3,616,643,301
Commission		(44,715,356)	(34,542,325)
		3,781,556,514	3,582,100,976

30.1 Export sales include PKR 87,903,160 (2008:nil) in respect of indirect export sales.

31 COST OF GOODS SOLD		June 30, 2009 Rupees	June 30, 2008 Rupees
Raw material consumed	31.1	**2,241,720,763**	2,183,689,937
Packing material		41,122,485	36,608,419
Stores, spares and loose tools		120,107,387	105,695,312
Cost of cotton sold	31.2	11,078,135	95,535,418
Salaries, wages and benefits	31.3	241,073,379	179,561,290
Processing charges		5,082,257	5,768,176
Fees and Subscription		64,395	78,380
Fuel .power and water		386,168,410	309,866,532
Electricity duty		2,292,037	1,772,792
Insurance		10,974,081	8,310,888
Vehicle running and maintenance		3,970,137	3,104,321
Rent, rate and taxes		403,635	399,458
Repairs and maintenance		4,818,205	4,610,987
Communication		595,490	565,015
Traveling and conveyance		840,848	860,235
Depreciation	16.1	170,632,982	182,477,493
Others		715,586	954,179
		3,241,660,212	3,119,858,832
Work in process			
Opening stock		**51,641,689**	36,649,985
Closing stock		**(54,724,507)**	(51,641,689)
		(3,082,818)	(14,991,704)
Cost of goods manufactured		**3,238,577,394**	3,104,867,128
Yarn purchased		52,932,744	37,318,272
Finished stocks			
Opening stock		**199,024,090**	222,919,538
Cost of finished goods theft		**-**	(2,737,788)
Closing stock		**(205,234,705)**	(199,024,090)
		(6,210,615)	21,157,660
		3,285,299,523	3,163,343,060
31.1 Raw material consumed			
Opening stock		711,160,193	563,632,349
Purchases - net		2,093,781,484	2,438,241,382
		2,804,941,677	3,001,873,731
Cost of raw material sold		(23,425,658)	(107,023,601)
Closing stock		(539,795,256)	(711,160,193)
		2,241,720,763	2,183,689,937
31.2 Cost of cotton sold			
Cost of purchases		10,403,764	89,296,708
Salaries, wages and other benefits		202,540	1,324,610
Loading and unloading		20,864	9,021
Insurance		78,028	1,110,232
Finance cost		372,939	3,794,847
		11,078,135	95,535,418

31.3 Salaries, wages and benefits includes employees benefits amounting to Rs. 14,959,694 (June 30, 2008: PKR 9,206,477).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

			June 30, 2009	June 30, 2008
			Rupees	Rupees
32	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Interest income		1,687,383	1,293,451
	Provision for diminution in value of investment		-	(50,000)
	Bad debts recovered		119,520	150,000
	Rental income		60,000	60,000
			1,866,903	1,453,451
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		887,716	391,473
			887,716	391,473
			2,754,619	1,844,924
33	**DISTRIBUTION COST**			
	Export			
	Freight on export sales		30,333,356	28,325,177
	Export development surcharge		2,300,217	1,518,434
	Others		1,566,669	599,362
			34,200,242	30,442,973
	Local			
	Salaries and wages		819,111	1,151,227
	Freight on local sales		9,174,105	8,418,617
	Others		516,043	261,883
			10,509,259	9,831,727
			44,709,501	40,274,700
	ADMINISTRATIVE EXPENSES			
	Directors' remuneration	**40**	1,920,000	1,920,000
	Staff salaries and benefits	**34.1**	30,052,401	25,284,507
	Traveling, conveyance and entertainment		4,256,340	3,493,631
	Printing and stationery		2,180,599	2,152,909
	Communication		2,712,000	2,599,826
	Vehicles running and maintenance		5,160,515	4,257,192
	Legal and professional		609,016	597,194
	Auditors' remuneration		507,750	372,500
	Fee and subscription	**34.2**	849,701	488,923
	Repair and maintenance		736,137	1,573,491
	Depreciation	**16.1**	6,348,303	4,847,147
	Rent, rates and utilities		2,136,736	1,880,218
	Donation	**34.3**	737,800	574,200
	Sales tax under amensty		-	1,041,234
	Others		1,438,958	686,720
			59,646,256	51,769,692

34.1 Salaries, wages and benefits includes employees benefits amounting to Rs. 2,855,873 (June 30, 2008 : 2,826,468).

34.2 ***Auditors' remuneration***

Annual statutory audit	373,750	247,500
Half yearly review	99,000	90,000
Out of pocket expenses	35,000	35,000
	507,750	372,500

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

		June 30, 2009 Rupees	June 30, 2008 Rupees
35 OTHER OPERATING EXPENSES			
Workers' profit participation fund	**11.1**	**5,243,382**	4,194,048
36 FINANCE COST			
Mark-up on:			
- long-term financing		96,447,152	86,237,534
- long-term murabaha		920,709	2,692,370
- short-term borrowings		168,658,825	121,839,700
- liabilities against assets subject to finance lease		1,017,137	7,931
- workers' profit participation fund		2,502,684	2,450,542
		269,546,507	213,228,077
Bank charges and commission		4,648,994	3,342,788
Letter of credits discounting		6,026,364	5,440,036
Derivatives financial instrument	**7.6**	-	22,666,586
Imputed interest expenses/(income)		9,566,327	(20,280,612)
		289,788,192	224,396,875
37 PROVISION FOR TAXATION			
Current			
- for the year	**37.1**	16,382,083	18,081,657
- for prior years		88,425	(2,557,766)
		16,470,508	15,523,891
Deferred	**10.3**	2,279,242	20,538,092
		18,749,750	36,061,983

37.1 Provision for the current year has been made at normal rates of Income Tax Ordinance 2001. The income tax assessment of the company has been finalized up to the tax year 2008. The company has filed an appeal against the order of DCIT for the tax year 2006 regarding proporation of expenses under FTR (Final Tax Regime).

37.2 The provision for Workers Welfare Fund has been recognised as provided under section 4(1) of Workers Welfare Fund Ordiance 1971.

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

	June 30, 2009 %	June 30, 2008 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
adjustment of the prior years	**(0.09)**	(2.55)
income chargeable to tax at different rate	**(16.36)**	2.30
inadmissible expenses	**0.74**	0.72
others	**(2.85)**	0.60
	(18.56)	1.07
Effective tax rate	**16.44**	36.07

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

		June 30, 2009 Rupees	June 30, 2008 Rupees
38	**EARNINGS PER SHARE - BASIC AND DILUTED**	**26.96**	21.30

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

Earnings

Earnings for the purpose of basic earnings per share - Rupees (net profit after tax for the year)	**80,874,529**	63,905,542

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000	3,000,000

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

Basic earning per share - Rupees	**26.96**	21.30

No figure for diluted earning 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.

39 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, The Board of Directors in their meeting held on 25th September 2009 has proposed to pay cash dividend of @ 20% i.e PKR 2 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting.

40 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

	CHIEF EXECUTIVE OFFICER		DIRECTOR		TOTAL	
	Year ended June 30,2009	Year ended June 30,2008	Year ended June 30,2009	Year ended June 30,2008	Year ended June 30,2009	Year ended June 30,2008
	RUPEES					
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
Allowances	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

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

41 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, 2009 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 STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

2009

Financial assets	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	SUB Total		
Trade debts	-	-	-	443,988,669	-	443,988,669	443,988,669	
Loans and advances	-	-	-	880,844	-	880,844	880,844	
Trade deposits	22,800,000	-	22,800,000	722,470	-	722,470	23,522,470	5 to 7
Other receivables	-	-	-	5,055,824	-	5,055,824	5,055,824	
Bank balances	-	-	-	22,665,590	-	22,665,590	22,665,590	
Long-term loans	-	-	-	4,619,958	10,245,254	14,865,212	14,865,212	
Long-term deposits	-	-	-	-	30,128,996	30,128,996	30,128,996	
Long term investments	-	-	-	-	375,000	375,000	375,000	
	22,800,000	-	22,800,000	477,933,355	40,749,250	518,682,605	541,482,605	
Financial liabilities								
Long-term financing	213,224,878	517,332,660	730,557,538	-	-	-	730,557,538	7 and KIBOR + 1
Trade and other payables	15,387,655	-	15,387,655	173,950,575	-	173,950,575	189,338,230	
Mark-up accrued on loans	-	-	-	45,511,678	-	45,511,678	45,511,678	
Short-term borrowings	891,074,535	-	891,074,535		-		891,074,535	KIBOR + .5 to 1.5
	1,119,687,068	517,332,660	1,637,019,728	219,462,253	-	219,462,253	1,856,481,981	
On balance sheet gap	(1,096,887,068)	(517,332,660)	(1,614,219,728)	258,471,102	40,749,250	299,220,352	(1,314,999,376)	
Contingencies and commitments								
Post dated cheques							699,753	
Bill discounted							34,411,000	
Guarantees							41,345,675	
Letters of credit							14,035,466	

2008

Financial assets	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	SUB Total		
Trade debts	-	-	-	417,069,166	-	417,069,166	417,069,166	
Loans and advances	-	-	-	4,062,365	-	4,062,365	4,062,365	
Trade deposits	18,700,000	-	18,700,000	1,523,378	-	1,523,378	20,223,378	5 to 7
Other receivables	-	-	-	5,905,247	-	5,905,247	5,905,247	
Bank balances	-	-	-	18,529,277	-	18,529,277	18,529,277	
Long-term loans	-	-	-	5,680,180	8,625,498	14,305,678	14,305,678	
Long-term deposits	-	-	-	-	2,493,936	2,493,936	2,493,936	
Long term investments	-	-	-	-	375,000	375,000	375,000	
	18,700,000	-	18,700,000	452,769,613	11,494,434	464,264,047	482,964,047	
Financial liabilities								
Long-term financing	318,571,432	610,159,699	928,731,131	-	-	-	928,731,131	KIBOR + 1
Trade and other payables	13,986,866	-	13,986,866	168,110,681	-	168,110,681	182,097,547	
Mark-up accrued on loans	-	-	-	33,453,362	-	33,453,362	33,453,362	
Short-term borrowings	1,047,504,825	-	1,047,504,825	-	-	-	1,047,504,825	KIBOR + .5 to 1.5
	1,380,063,123	610,159,699	1,990,222,822	201,564,043	-	201,564,043	2,191,786,865	
On balance sheet gap	(1,361,363,123)	(610,159,699)	(1,971,522,822)	251,205,570	11,494,434	262,700,004	(1,708,822,818)	
Contingencies and commitments								
Post dated cheques							1,348,429	
Bill discounted							85,966,251	
Guarantees							41,345,675	
Letters of credit							24,934,730	
							2,200,000	

41.1 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.

41.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 541,482,605(June 30, 2008: PKR 482,964,047), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 464,790,549 (June 30, 2008: PKR 441,342,456) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

41.3 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.

41.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2009, the total foreign currency risk exposure was PKR 3,410,649 (June 30, 2008: PKR 17,075,058) in respect of foreign trade debts.

41.5 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.

41.6 Credit risk

41.6.1 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:

Financial assets at fair value through profit or loss	June 30, 2009 Rupees	June 30, 2008 Rupees
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	**30,128,996**	2,493,936
Long term loan	**10,245,254**	8,625,498
Trade receivables	**443,988,669**	417,069,166
Loan and advances	**5,500,802**	9,742,545
Refundable trade deposits	**23,522,470**	20,223,378
Other receivables	**5,055,824**	5,905,247
Cash at banks	**22,665,590**	18,529,277
	541,107,605	482,589,047
Available for sale financial assets	**375,000**	375,000
	541,482,605	482,964,047

41.6.2 Concentration of credit risk

Maximum exposure to credit risk by geographical region as at the reporting date is:	June 30, 2009 Rupees	June 30, 2008 Rupees
Domestic		
Europe	**447,556,994**	406,973,082
United States of America	**3,410,648**	5,782,726
Asia and Middle East	**-**	-
Other regions	**-**	11,292,332
	-	-
	450,967,642	424,048,140

41.6.3 Impairment losses

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

Not past due	**444,213,602**	419,629,498
Past due less than one year	**-**	-
Past due more than one year but less than three years	**4,750,000**	4,850,000
Past due more than three years	**6,978,974**	6,978,974
	455,942,576	431,458,472

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

As at beginning of the year	**11,828,974**	11,828,974
Impairment loss recognized	**-**	-
Impairment loss reversed	**(100,000)**	-
As at end of the year	**11,728,974**	11,828,974

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.

41.6.4 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.

41.7 Liquidity risk

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

	As at June 30, 2009				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
			Rupees		
Loan from associates	89,285,715	100,000,000	-	**89,285,715**	-
Long term finances	718,898,737	718,898,737	209,832,392	**509,066,345**	-
Liabilities against assets subject to finance lease	11,658,801	11,658,801	3,392,486	**8,266,315**	-
Long term payables	24,134,372	24,134,372	-	**24,134,372**	-
Short term borrowings	891,074,535	891,074,535	891,074,535	**-**	-
Mark-up accrued on borrowings	45,511,678	45,511,678	45,511,678	**-**	-
Trade creditors	114,718,014	114,718,014	114,718,014	**-**	-
Accrued liabilities	58,160,849	58,160,849	58,160,849	**-**	-
Unclaimed dividend	246,176	246,176	246,176	**-**	-
Other payables	16,213,191	16,213,191	16,213,191	**-**	-
	1,969,902,068	1,980,616,353	1,339,149,321	**630,752,747**	-

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	As at June 30, 2008				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
			Rupees		
Loan from associates	79,719,388	100,000,000	-	**79,719,388**	-
Long term finances	928,731,131	928,731,131	318,571,432	**610,159,699**	-
Liabilities against assets subject to finance lease	-	-	-	**-**	-
Long term payables	19,287,137	19,287,137	-	**19,287,137**	-
Short term borrowings	1,047,504,825	1,047,504,825	1,047,504,825	**-**	-
Mark-up accrued on borrowings	33,453,362	33,453,362	33,453,362	**-**	-
Trade creditors	120,252,528	120,252,528	120,252,528	**-**	-
Accrued liabilities	46,696,185	46,696,185	46,696,185	**-**	-
Unclaimed dividend	235,991	235,991	235,991	**-**	-
Other payables	14,912,843	14,912,843	14,912,843	**-**	-
	2,290,793,390	2,311,074,002	1,581,627,166	**709,166,224**	-

41.8 **Market risk**

41.8.1 **Currency risk**

The Company's exposure to currency risk as at the reporting date is as follows:	June 30, 2009 Rupees	June 30, 2008 Rupees
Trade receivables	**3,410,649**	17,075,058
Cash and cash equivalents	**99,243**	83,306
Trade payables	**-**	-
Total exposure	**3,509,892**	17,158,364

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 Rs. 77.43 / USD and Rs. 80.43 /USD respectively.

A ten percent appreciation in Rupee would have decreased profit or loss by Rs. 350,989. 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.

41.8 **Interest rate risk**

41.8.1 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	**417,844,356**	514,924,591
Variable rate instruments		
Financial assets	**22,800,000**	18,700,000
Financial liabilities	**1,219,306,820**	1,389,432,145

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 Rs. 12,193,068. A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

41.9 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.

42 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 19 and 40 are as follow :

Nature of relationship	Nature of transactions	June 30, 2009 Rupees	June 30, 2008 Rupees
Associated undertaking	Sales of yarn	292,173,734	153,547,478
	Sales of fabric	3,306,967	504,039
	Sales of cotton	10,552,728	8,339,722
	Sales of stores, spare parts and loose tools	1,678,064	-
	Services rendered	13,831,274	11,614,779
	Purchase of yarn	34,231,720	23,804,535
	Purchase of fabrics	4,127,410	2,487,163
	Purchase of cotton	109,532,559	19,036,258
	Purchase of stores, spare parts and loose tools	1,245,275	-
	Purchase electricity	171,219,066	146,167,831
	Purchase of machinery	5,100,000	925,000
Retirement benefits	Services received	4,300,000	433,000
Key management			
	Provision for gratuity	18,792,167	12,032,945
	Remuneration		

43 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning		
Number of spindles installed	**68,736**	68,736
Number of rotors installed	**192**	192
Number of looms installed	**140**	140
Number of spindles worked	**68,736**	68,736
Number of rotors worked	**-**	-
Number of looms worked	**140**	140
Number of shifts per day	**3**	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	**23,200,746**	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	**26,226,279**	26,346,958
Installed capacity of fabric after conversion into 50 picks - Square meters	**26,166,485**	26,166,485
Actual production of fabric after conversion into 50 picks - square meters	**24,985,060**	29,025,904

Production activity of rotors has been temporialy discontinued due to unviability and unfavourable 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.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 25th September 2009

45 RECLASSIFICATION

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

FROM	TO	NATURE	AMOUNT
Provision for Taxation	Advance Tax	proper allocation	19,628,176
Other Income	Sales & Cost of sales	Gain on sale of cotton	9,317,476
Distribution Cost	Financial Expenses	Adhesive stamp	516,336
Distribution Cost	Financial Expenses	Letter of credit discounting	1,711,825
Bank Charges & Commision	Other Income	proper allocation	1,293,451

46 GENERAL

The figures have been rounded off to the nearest Rupee.

MOHAMMAD SALIM
CHIEF EXECUTIVE / DIRECTOR

MOHAMMAD SHARIF
DIRECTOR

Karachi
Dated: 25th September, 2009

Board of Directors Meetings
During the year five board meetings were held and the attendance by each director is as follows.

Directors	2008			2009		TOTAL
	20th Sep	15th Oct.	28th Oct.	24th Feb.	25th Apr	
Mr. Mohammad Salim	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Sharif	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shaheen	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Shakeel	✓	-	-	-	-	1/2
Mr. Khurram Salim	✓	✓	✓	✓	✓	5/5
Mr. Bilal Sharif	✓	✓	✓	✓	✓	5/5
Mr. Mohammad Amin	✓	✓	✓	✓	✓	5/5
Mr. Adil Shakeel	✓	✓	✓	✓	✓	5/5
Mr. Faisal Shakeel	-	-	✓	✓	✓	3/3
Total	8/8	7/8	8/8	8/8	8/8	39/40

YEAR WISE OPERATING DATA

SPINNING UNIT	June 30					Sep. 30
	2009	2008	2007	2006	2005	2004
Spindles Installed	68,736	68,736	67,776	67,776	67,776	45,504
Rotors Installed	192	192	192	192	192	
Spindles Worked	68,736	68,736	67,776	67,776	67,776	45,504
Rotors Worked	-	-	192	192	192	
No. Of Shifts worked per day.	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count. (Kgs.)	23,200,746	23,200,746	23,200,746	23,200,746	14,489,726	15,537,833
Actual Production after conversion into 20/s Count (Kgs.)	26,226,279	26,346,958	23,916,723	25,541,642	15,281,522	14,958,487
WEAVING UNIT					-	-
Air Jet Looms Installed	140	140	140	140	-	-
Air Jet Looms Worked	140	140	140	140		
Installed Capacity after conversion into 50 picks - sq. Meter	26,166,485	26,166,485	26,166,485	20,034,909	-	-
Actual Production after conversion into 50 picks - sq. Meter	24,985,060	29,025,904	33,878,770	24,198,242	-	-

YEAR WISE FINANCIAL DATA	June 30					Sep. 30
	2009	2008	2007	2006	2005	2004
	Rupees In Thousands					
Fixed Assets	1,724,335	1,841,843	1,995,219	2,127,525	1,308,145	719,949
Investments, Long Term Loans & Deposits	40,749	11,494	11,952	15,882	21,317	29,279
Current Assets	1,366,386	1,544,122	1,393,808	924,099	1,040,478	604,783
Share Holders Equity	984,716	909,841	853,436	737,170	614,593	563,677
Long Term Liabilities	518,333	610,159	793,958	1,161,703	775,114	208,436
Deferred Liabilities	203,565	186,926	162,471	109,232	80,254	45,085
Current Liabilities	1,339,149	1,616,482	1,500,363	1,083,318	893,642	536,811
Turnover (Net)	3,781,556	3,477,248	3,521,088	2,671,677	1,174,793	1,530,174
Gross Profit	496,257	409,440	476,569	422,102	207,430	138,606
Operating Profit	389,412	320,844	386,589	357,854	151,449	88,353
Financial Charges	289,788	220,877	200,980	184,390	48,703	31,250
Profit Before Taxation	99,624	99,967	185,609	173,463	102,745	56,275
Profit After Taxation	80,874	63,905	123,766	137,577	88,351	85,534
Cash Dividend	6,000	7,500	7,500	15,000	15,000	-
Transfer To Reserves	50,000	100,000	100,000	100,000	76,000	100,900
Profit C/F	54,716	29,841	73,436	57,170	34,593	59,678

PATTERN OF SHAREHOLDING AS AT 30-06-2009

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
97	000001	000100	9,700
33	000101	000500	9,700
9	000501	001000	8,000
14	001001	005000	31,300
3	010001	015000	36,000
1	015001	020000	17,800
2	020001	025000	43,984
1	025001	030000	29,872
1	040001	045000	42,780
4	050001	055000	204,938
3	060001	065000	181,600
3	070001	075000	216,400
2	080001	085000	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	496,600
181			3,000,000

CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30-06-2009

	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1	Directors Chief Exective Officer and their spouse and minor childrens	15	1,714,599	57.17
2	Associated Companies,Undertaking and related parties	10	1,127,401	37.57
3	NIT and ICP	-	-	-
4	Financial Institution	-	-	-
5	Insurance Companies	1	70,500	2.35
6	Modarabas and Mutual Funds	-	-	-
7	Individuals - Local	151	68,800	2.29
8	Joint Stock Companies	4	18,700	0.62
	TOTAL	**181**	**3,000,000**	**100.00**

The above two statements include 92 Shareholders holding 634,100 Shares through the Central Depository Company of Pakistan Limited (CDC)

PATTERN OF SHAREHOLDINGS
AS AT 30-06-2009

S.No.	Shareholders Category	Percentage	No. of Shares
1	**ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES**	-	-
	ADMIRAL (PVT) LTD	16.55	496,600
	MR. FARRUKH SALIM	2.02	60,600
	MR. YOUSUF SALIM	1.69	50,674
	MR. SAQIB SALIM	1.68	50,490
	MR. MOHAMMAD SHAKEEL	0.73	22,055
	MR. MOHAMMAD QASIM	5.28	158,400
	MRS.NAZLI BEGUM	1.68	50,482
	MRS. SABA YOUSUF	2.76	82,700
	MRS. SABA SAQIB	2.76	82,900
	MRS SADAF FARRUKH	2.42	72,500
2	**CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN**		
	MR. MOHAMMAD SALIM	0.73	21,929
	MR. MOHAMMAD SHARIF	0.47	14,000
	MR. MOHAMMAD SHAHEEN	1.43	42,780
	MR. FAISAL SHAKEEL	8.34	250,176
	MR. KHURRAM SALIM	2.02	60,500
	MR. BILAL SHARIF	2.02	60,500
	MR. MOHAMMAD AMIN	5.32	159,500
	MR. ADIL SHAKEEL	8.93	267,825
	MRS. YASMIN BEGUM	1.00	29,872
	MRS. ANJUM BEGUM	5.50	165,142
	MRS. SEEMA BEGUM	1.77	53,292
	MRS. AMNA KHURRAM	2.45	73,400
	MRS. SAMIA BILAL	11.14	334,283
	MRS. FATIMA AMIN	5.68	170,400
	MASTER ABDULLAH BILAL	0.37	11,000
3	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.35	70,500
4	**JOINT STOCK COMPANIES**		
	JAVED OMAR VOHRA & CO LTD	0.59	17,800
	S.S CORPORATION (PVT) LTD	0.02	600
	CLIKTRADE LIMITED	0.007	200
	AL ASAR SECURITIES (PVT) LTD	0.003	100
5	**INDIVIDAL SHARE HOLDERS**	2.29	68,800
	TOTAL	100.00	3,000,000
6	**DETAILS OF TRADING IN THE SHARES BY THE DIRETORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOUSES AND MONOR CHILDREN**		NIL
7	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST**		
	MRS. SAMIA BILAL	11.14%	334,283
	ADMIRAL (PVT) LIMITED	16.55%	496,600

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 30th Annual General Meeting of the Company to be held on Friday October 23, 2009 at 3:30 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

WITNESS

Signature _____

Name _____

Address _____

_____

CNIC/Passport # _____

Affix
Rs. 5/-
Revenue
Stamp

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

Signed this _____ day of _____ 2009

Notes:

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

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