Bhanero Textile Mills Limited

BTM-SEC-038-2022

June 10, 2022

The General Manager
Pakistan Stock Exchange Limited,
Karachi.

Sir,

Board Meeting

We would like to inform that the board of directors of the company in their meeting held at 11:00 am Friday, 10th June, 2022 approved the following:

a) Material Information

The board of directors in their meeting held on June 10, 2022 have passed the enclosed resolution to approved the report (Annexure "A") under section 282(2) of the Companies Act, 2017 and Scheme of Arrangement dated 22nd April, 2002 (Annexure "B") with modifications, changes/amendments to finalize the Scheme approved earlier by the Board on April 7, 2022 which does not materially affect the substance of draft Scheme previously approved by the board on April 7, 2022.

The Board has also decided to hold general meeting of the members to avail the consent of the members for the Scheme.

b) Share Transfer Book Closure

Share Transfer Books of the company will be closed from 8th July, 2022 to 14th July 2022 (both days inclusive).

c) Extra Ordinary General Meeting

The extra ordinary general meeting of the company will be held on 14th July, 2022 at 03:00 pm at the registered office of the company located at Umer House, 23/1, Sector 23, Korangi Industrial Area, S.M Farooq Road, Karachi.

Regards,
For Bhanero Textile Mills Limited

Director

Karachi Office :	Lahore Office :
Umer House. 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi - 74900 Phones : (92-21) 35115177-80 Fax : (92-21) 35115190 & 35115191 E-mail : khioff@umergroup.com Website : www.umergroup.com	9th Floor, City Towers, 6-K, Main Boulevard, Gulberg–II, Lahore - 54660 Phones: (92-42) 111 – 130 - 130, Fax: (92-42) 35770015 E-mail : lhroff@umergroup.com Website : www.umergroup.com

Bhanero Textile Mills Limited

Extract of the Resolutions passed by the Board of Directors (the "Board") of Bhanero Textile Mills Limited (the "Company") at their meeting held on 10th June, 2022 at Umer House, 23/1, Sector 23, SM Farooq Road, KIA, Karachi.

Further to the approval granted by the Board at its meeting held on 7 April 2022 approving the scheme of arrangement pertaining to, inter alia, the reorganization / rearrangement between the Company and Bhanero Energy Limited (**"BEL"**) in respect of the power generation facility of BEL having gross capacity of 3.726 MW located at E-2, S.I.T.E Kotri, Sindh, the meeting was convened to, inter alia, review and approve the report required to be adopted by the Board under section 282(2)(c) of the Companies Act, 2017.

Consequently, the following resolutions were passed by the Board:

RESOLVED THAT having reviewed a copy of the report (attached as Annexure A) (the **"Report"**) proposed to be adopted under section 282(2)(c) of the Companies Act, 2017, the Board hereby adopts the Report for the purposes of circulation to the members of the Company as required by section 282(2) of the Companies Act, 2017.

FURTHER RESOLVED THAT the Board having reviewed the Scheme of Arrangement dated 22 April 2022 (attached as Annexure B) (the **"Scheme"**) resolves that the changes, modifications and/or amendments made to finalize the Scheme, after the earlier draft of the Scheme was approved by the Board on 7 April 2022, do not materially affect the substance of the draft previously approved by the Board on 7 April 2022.

FURTHER RESOLVED THAT the Board hereby affirms all actions undertaken by the persons authorized by the Board in its meeting of 7 April 2022 in connection with the changes, modification and/or amendments made to finalize the Scheme (including signing thereof) and filing of the Scheme with the High Court of Sindh at Karachi.

FURTHER RESOLVED THAT the resolutions passed by the Board on 7 April 2022 continue to remain fully valid and binding and have not been revoked, amended or repealed.

Mr. Mohammad Ahmed
Company Secretary

Dated: 10th June, 2022

Karachi Office :	Lahore Office :
Umer House. 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi - 74900 Phones : (92-21) 35115177-80 Fax : (92-21) 35063002-3 E-mail : khioff@umergroup.com Website : www.umergroup.com	9th Floor, City Towers, 6-K, Main Boulevard, Gulberg–II, Lahore - 54660, Phones: (92-42) 111 – 130 - 130, Fax: (92-42) 35770015 E-mail : lhroff@umergroup.com Website : www.umergroup.com

Bhanero Textile Mills Limited

Annexure "A"

REPORT UNDER SECTION 282(2)(C) OF THE COMPANIES ACT, 2017

In petition bearing J.C.M No. 10 of 2022, under sections 279 to 283 and 285(8) of the Companies Act, 2017, Bhanero Textile Mills Limited ("**BTML**") and Bhanero Energy Limited ("**BEL**") (collectively as the "**Companies**") have sought the sanction of the High Court of Sindh at Karachi (the "**Court**") in respect of Scheme of Arrangement dated 22 April 2022 between BEL and its members and BTML and its members (the **"Scheme"**).

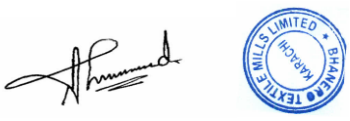
All capitalized terms used in this Statement have the meaning given to such term in the Scheme unless the context otherwise requires.

That the board of directors of the Companies have considered various options, ways, and means available to improve their businesses with the ultimate aim of maximizing shareholder returns. They have accordingly formulated the scheme which was approved by the respective boards of directors of the Companies on 7 April 2022 and thereafter finalized by the relevant authorized representative on 22 April 2022.

The directors of the Companies are interested in the Scheme to the extent of their common directorships and respective shareholdings in the respective Companies (to the extent applicable). The Companies each have only one class of members. The effect of the Scheme on the interests of directors/chief executive officer of the respective Companies does not differ from the effect on the like interest of other members of the Companies.

Pursuant to the Scheme, the BEL-Kotri Unit 1 Undertaking is being transferred to BTML at book value and in consideration thereof BTML shall issue shares to the shareholders of BEL on the basis of the break-up value of the existing issued and paid up shares of BTML which is significantly higher than the market value of the shares (at the time of approval of the Scheme by the board of directors of the companies). The share swap ration has been calculated, on the basis of the calculations set out by Mushtaq and Company, Chartered Accountants, in their letter dated 7 April 2021 as 0.27755 share in BTML to be issued for each 1 share in BEL.

There were no difficulties encountered in respect of the valuation of the Companies.



Mr. Mohammad Ahmed
Company Secretary

Dated: 10th June, 2022

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Annexure "B"

SCHEME OF ARRANGEMENT

IN TERMS OF SECTIONS 279 TO SECTION 283 AND SECTION 285 OF THE COMPANIES ACT, 2017

BETWEEN

BHANERO ENERGY LIMITED
and its members

AND

BHANERO TEXTILE MILLS LIMITED
and its members

This is a Scheme of Arrangement (the **"Scheme"**) pursuant to sections 279 to 283 and section 285 of the Companies Act, 2017.

BETWEEN

Bhanero Energy Limited, a public unlisted company established and existing under the laws of Pakistan and having its registered office at 23/1 Umer House, S.M. Farooq Road, Korangi Industrial Area, Sector 23 (hereinafter referred to as **"BEL"** which expression, unless repugnant to the context or meaning hereof, shall include its successor(s), administrator(s) or permitted assignee(s));

Bhanero Textile Mills Limited, a public listed company established and existing under the laws of Pakistan and having its registered office at 23/1 Umer House, S.M. Farooq Road, Korangi Industrial Area, Sector 23 (hereinafter referred to as **"BTML"** which expression, unless repugnant to the context or meaning hereof, shall include its successor(s), administrator(s) or permitted assignee(s); and

the respective members of BEL and BTML.

Whereas, the BEL owns and operates two (2) power generation facilities, one having gross capacity of 3.726 MW located at E-2, S.I.T.E Kotri, Sindh (the **"BEL-Kotri Unit 1"**), and the other having a gross capacity of 33.694MW located at 18-KM, Sheikhupura-Faisalabad Road, Feroze Watwan, Punjab.

Whereas, the BEL-Kotri Unit 1 sells its entire generated energy to BTML's textile facility located at Kotri, Sindh.

Whereas, the respective board of directors of BEL and BTML have proposed a reorganization and restructuring of the assets and liabilities of BEL and BTML such that at the Effective Date (defined below), the BEL-Kotri Unit 1 Undertaking (defined below) will stand transferred to, vested in and assumed by BTML and, simultaneously, 5.99% of the shareholding of each BEL Shareholder will stand cancelled and resultingly the paid up capital of BEL will be reduced accordingly.

And whereas, in consideration of the transfer of the BEL-Kotri Unit 1 Undertaking from BEL to BTML, the BEL Shareholders (defined below) be issued BTML Shares (defined below) in proportion to their existing shareholding.

And whereas, it is proposed that upon the transfer to and vesting in of the BEL-Kotri Unit 1 into BTML as set out in this Agreement, BEL will continue to own and operate the BEL Retained Undertaking (defined below) and will not be wound up.

And whereas, this Scheme, if approved by a majority in number representing three-fourths in value of the respective members of BEL and BTML and sanctioned by the Court by an order passed in this behalf, is to be binding on BEL and BTML and their respective members, creditors, contracting parties, the government, tax and regulatory / statutory bodies, authorities, and all other third parties on and from the Effective Date.

Now, therefore, this Scheme is presented as follows:

Part 1. Definitions and Interpretation

1.1. In this Scheme, unless the subject or context otherwise requires, the following terms stated herein shall have the meanings assigned to them below:

(a) **"Arrangement"** has been defined in Part 6 (*The Arrangement*).

(b) **"BEL Financial Statement"** means the special purpose half yearly financial statements of BEL for the period ending 31 December 2021 prepared in accordance with the relevant laws and applicable accounting standards in Pakistan and attached as Schedule 4 (*BEL Financial Position*).

(c) **"BEL-Kotri Unit 1 Financial Position"** means the special purpose half yearly statement of financial position of BEL prepared in accordance with the relevant laws and applicable accounting standards in Pakistan and based on the BEL Financial Statement to separately

identify and determine carrying values of the assets, rights, liabilities, and obligations of the BEL-Kotri Unit 1 Undertaking as at 31 December 2021 and attached as Schedule 5 (*BEL-Kotri Unit 1 Financial Position*).

(d) **"BEL-Kotri Unit 1 GIDC Claims"** means, as at the Effective Date, all liabilities and obligations in respect of the gas infrastructure cess, and all government investigations, Claims, suits, appeal and other ongoing legal proceedings before any court or authority, and any judgements, orders and/or directions, relating to BEL-Kotri Unit 1 in respect of the gas infrastructure development cess including those before the Sindh High Court in Suit No. 1339 of 2020, Suit No. 1848 of 2021, High Court Appeal No. 211 of 2017 and High Court Appeal No. 101 of 2020.

(e) **"BEL-Kotri Unit 1"** has been defined in the recitals to this Scheme.

(f) **"BEL-Kotri Unit 1 Undertaking"** means the assets, liabilities and obligations of BEL-Kotri Unit 1 as more particularly described in this Scheme and in Schedule 1 (*BEL-Kotri Unit 1 Undertaking*).

(g) **"BEL Retained Undertaking"** means all assets, liabilities and obligations of BEL, excluding BEL-Kotri Unit 1 Undertaking, which will be retained by BEL as described in the BEL Financial Position.

(h) **"BEL Shareholders"** means persons who are registered holders of the ordinary shares of BEL and are entitled to BTML Shares in accordance with this Scheme.

(i) **"BTML Shares"** has been defined in Part 18 (*Consideration and Related Matters*).

(j) **"Claim"** means claim, counter claim, demand, or cause of action and includes a Contingent Claim.

(k) **"Contingent Claim"** means any potential Claim that a company may have against any person prior to the Effective Date which may not be disclosed or reflected as part of its assets on its books or records.

(l) "**Commission**" means the Securities and Exchange Commission of Pakistan.

(m) **"Companies"** means BEL and BTML, and **"Company"** should be construed accordingly.

(n) **"Court"** means the Honorable High Court of Sindh at Karachi.

(o) **"Effective Date"** has been defined in Part 5 (*Effective Date*).

(p) "**Scheme**" means this Scheme of Arrangement in its present form together with any modifications thereof or additions or conditions thereto approved, directed or imposed by the Court.

(q) **"Tax"** means all present and future taxes, including income tax, sales tax, stamp duties, octroi, customs or excise duty, registration charges, levies, deductions, imposts, and any other charges and withholdings whatsoever, together with any interest, mark-up or penalties payable in connection with any failure to pay or delay in paying any of the above.

1.2. Headings are for convenience only and do not affect interpretation. The following rules apply to the interpretation of this Scheme, unless the context requires otherwise:

(a) the singular includes the plural, and vice versa;

(b) a gender includes all genders;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to an agreement or document (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent

prohibited by this Scheme or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document;

(e) a reference to a party to this Scheme or another agreement or document includes the party's successors, successors-in-interest, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives);

(f) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a rule, regulation, notification or other statutory instrument issued under it; and

(g) mentioning anything after "includes", "including" or other similar expressions does not limit what else might be included.

Part 2. The Companies

2.1. BEL is an unlisted public limited company incorporated under the laws of Pakistan. The authorised capital of BEL is PKR 150,000,000 divided into 15,000,000 ordinary shares of PKR 10 each; of which 2,463,650 ordinary shares of the aggregate value of PKR 24,636,500 are issued and fully paid and the remainder are unissued. BEL owns and operates two power generation facilities, one being the BEL-Kotri Unit 1 and the other having a gross capacity of 33.694MW located at 18-KM, Sheikhupura-Faisalabad Road, Feroze Watwan, Punjab. The BEL-Korti Unit 1 is exclusively used for supply of electricity to BTML.

2.2. BTML is a public limited company incorporated under the laws of Pakistan and listed on the Pakistan Stock Exchange involved in the manufacture of textile products. The authorised capital of BTML is PKR 60,000,000 divided into 6,000,000 ordinary shares of PKR 10 each of which 3,000,000 ordinary shares of the aggregate value of PKR 30,000,000 are issued and fully paid and the remainder are unissued. BTML manufactures textiles and has textile manufacturing facilities at18-KM, Sheikhupura-Faisalabad Road, Feroze Watwan, Punjab and the second at Kotri, Sindh.

Part 3. Object of the Scheme

3.1. The object of the Scheme is:

(a) the demerger of the BEL-Kotri Unit 1 Undertaking from BEL;

(b) the transfer to, and vesting in BTML, of the BEL-Kotri Unit 1 Undertaking, against the issuance of BTML Shares to the BEL Shareholders in proportion to their respective shareholding in BEL; and

(c) the cancellation of 5.99% of the shareholding of each BEL Shareholder and consequently reduction in the issued and paid up share capital of BEL.

Part 4. Benefits of the Scheme

4.1. It will be expedient and efficient to transfer the BEL-Kotri Unit 1 Undertaking from BEL to BTML. The BEL-Kotri Unit 1 Undertaking comprises of the power generation facility which supplies electricity solely to the textile facility of BTML at Kotri. The BEL-Kotri Unit 1 Undertaking is not utilized for any other commercial activity. On sanction of this Scheme, BTML will be enabled to directly exercise control over and manage the affairs of BEL-Kotri Unit 1 Undertaking in the best interests of BTML and its members. As BEL has no activities in Sindh outside of the BEL- Kotri Unit 1, BEL will cease to have operations in the province of Sindh and will continue operations only in Punjab.

4.2. In addition to the above, on transfer of the BEL-Kotri Unit 1 Undertaking to the BTML, the BTML will no longer be entirely dependent on purchase of electricity for its textile facility at Kotri from another entity as the energy requirements of BTML will be fully or substantially met by BTML inhouse through the BEL-Kotri Unit 1. As BTML will be able to generate electricity for its textile

facility at Kotri in house through the BEL-Kotri Unit 1 Undertaking, there will also be a reduction in the energy costs of BTML, thus making BTML more competitive.

Part 5. Effective Date

5.1. This Scheme shall become operative and effective and bind the Companies and their respective members, creditors and all other third parties upon the passing of the order sanctioning this Scheme by the Court. When this Scheme becomes effective and operative, it shall be treated as having effect from the date on which this Scheme is sanctioned or as may otherwise be expressly stated or approved by the Court (the **"Effective Date"**).

5.2. Each of the Companies shall file a certified copy of the order of the Court sanctioning the Scheme with the Registrar of Companies in accordance with Section 279 of the Companies Act, 2017.

Part 6. The Arrangement

6.1. At the Effective Date:

(a) The BEL-Kotri Unit 1 Undertaking shall stand demerged from BEL and transferred to, vested in and assumed by BTML subject to and in accordance with the terms and conditions set forth in this Scheme against the allotment of the BTML Shares to the BEL Shareholders; and

(b) 5.99% of the shareholding of BEL shall stand cancelled and the issued and paid up share capital of BEL shall be reduced accordingly.

(the **"Arrangement"**).

6.2. Each of the abovementioned steps as part of the Arrangement shall be deemed to take effect on the Effective Date. On occurrence of the Effective Date, the BTML shall allot the BTML Shares to the BEL Shareholders in accordance with Part 18 (*Consideration and Related Matters*)

6.3. The BEL Retained Undertaking shall not at any time be transferred to or vest in BTML and shall at all times remain part of BEL.

Part 7. The Board of Directors

7.1. The present directors of each of the Companies have been listed in Schedule 2 (*Directors of the Companies*). All of the directors are, directly or indirectly, interested in the Arrangement to the extent of their respective shareholdings and common directorships, as and to the extent applicable except for the directors listed in Schedule 3 (*List of Directors Without Interest*). The effect of this Scheme on the interests of those directors of a Company interested as shareholders in the other Company does not however differ from the respective interests of the other shareholders of the Companies.

7.2. The respective directors of BEL and BTML are expected to continue as directors after the Arrangement / sanction of the Scheme subject to compliance with applicable laws and / or their ceasing to be directors in the meantime due to any reason(s) and appointments made in vacancies created after preparation of this Scheme.

Part 8. Transfer of Assets and Liabilities

8.1. At the Effective Date, all assets in respect of BEL-Kotri Unit 1 including as identified in this Scheme and Schedule 1 (*BEL-Kotri Unit 1 Undertaking*) shall (unless expressly excluded) immediately, without any conveyance or transfer, without any further act or deed and without need for the consent of third parties, be vested in and become the assets of BTML, which shall possess, hold and enjoy the same in its own right as fully and effectually as the same were possessed, held and enjoyed by BEL prior to the Arrangement.

8.2. At the Effective Date, all liabilities and obligations expressly identified in this Scheme including Schedule 1 (*BEL-Kotri Unit 1 Undertaking*) shall immediately, without any further act or deed and

without the consent of third parties, be assumed by and become the liabilities and obligations of BTML, which shall pay, undertake, satisfy, discharge, fulfill and perform, when due and in accordance with their terms, all of such liabilities and obligations as liabilities and obligations of BTML.

8.3. All deeds, assignments or similar instruments to record the aforesaid vesting of assets and assumption of liabilities and obligations may, if required, at any time be executed by officers of the respective Companies, as the case may be, authorized in this regard.

8.4. Any dispute between BTML and BEL as to the division of the assets, rights, liabilities and obligations referred to in this Part 8 (*Transfer of Assets and Liabilities*) shall be finally determined by reference to Mr. Mohammed Salim (having CNIC 4230167192629), and in his continued absence which lasts for more than two (2) weeks, the same may be finally determined by reference to Mr. Muhammad Shaheen (having CNIC 4230192076329), such determination to be made within two (2) months of the written notification of the dispute by any party to the other parties. No object to such division may be raised more than six (6) months after the Effective Date.

Part 9. Cancellation of Shares

9.1. On the Effective Date, 147,590 shares of the issued and paid up share capital of BEL will be cancelled and the paid up capital of BEL shall be reduced by an amount of PKR 1,475,900 which corresponds to the value of the BEL-Kotri Unit 1 Undertaking which will no longer vest in BEL. This has been determined and approved on the basis of the BEL-Kotri Unit 1 Financial Position and the letter of Mushtaq and Company, Chartered Accountants, dated 7 April 2022 attached as Schedule 7 (*Auditor's Letter*).

9.2. The reduction in the issued and paid up share capital of BEL as set out above shall automatically be effected upon the sanction of the Scheme by the Court. Approval of the members of BEL to this Scheme shall also include and constitute an approval by way of a special resolution from the members of BEL to the reduction of the shareholders' equity as set out in this Scheme.

Part 10. Bank Accounts

10.1. No bank account of BEL shall be transferred to BTML.

Part 11. Contracts and other instruments

11.1. In all contracts, deeds, bonds, documents, correspondence, records, agreements and instruments of any nature whatsoever pertaining to the BEL-Kotri Unit 1 Undertaking executed by or in favour of BEL and transferred to BTML, all references to BEL (howsoever worded and whether express or implied) shall, on and from the Effective Date, be deemed to be a reference to BTML, and all such contracts, deeds, bonds, documents, correspondence, records, agreements, and instruments shall be given effect accordingly subject to paragraph 11.2 below.

11.2. The Agreement dated 1 January 1997 entered to between BTML and BEL (*BEL-Kotri Unit 1 Undertaking*) shall cease to be in existence from the Effective Date.

Part 12. Legal Proceedings & GIDC Claims

12.1. All Claims, legal actions and legal proceedings of any nature whatsoever by or against BEL in relation to the BEL-Kotri Unit 1 Undertaking and pending immediately prior to the Effective Date, shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the BEL-Kotri Unit 1 Undertaking or anything contained in this Scheme.

12.2. The BEL-Kotri Unit 1 GIDC Claims which are then pending and/or not fully satisfied before the Effective Date shall as of the Effective Date, to the extent to which these are continuing, being

prosecuted, and/or enforceable by and/or or against BEL, shall be continued, prosecuted, and enforced by and/or against BTML accordingly instead of BEL.

12.3. Any ongoing proceedings and Claims existing on or before the Effective Date being adjudicated in relation to the BEL-Kotri Unit 1 Undertaking, except the BEL-Kotri Unit 1 GIDC Claims which will be transferred to BTML as outlined above, shall form part of the BEL Retained Undertaking and shall not be transferred to BTML.

12.4. Where by virtue of this Scheme the right, claim, liability or obligation of BEL in relation to the BEL-Kotri Unit 1 Undertaking (each as identified in Schedule 1 (*BEL-Kotri Unit 1 Undertaking*)), becomes a right, claim, liability or obligation of BTML and on and from the Effective Date, BTML shall have the same rights, claims, powers, privileges and remedies (and in particular the same rights, claims, powers and privileges as to taking or resisting legal proceedings or making or resisting applications to any authority) for ascertaining, perfecting, protecting or enforcing that right, claim, liability or obligation, as if it had at all times been a right, claim, liability or obligation of BTML, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against BEL in respect of the BEL-Kotri Unit 1 Undertaking shall be continued, prosecuted or enforced by or against BTML in the same manner and to the same extent as it would be or might have been continued, prosecuted or enforced by or against BEL if the Effective Date had not occurred.

Part 13. Employees

13.1. Employees employed with BEL in respect of the BEL-Kotri Unit 1 will not be transferred to BTML under this Scheme.

Part 14. Licenses, Permits & Approvals

14.1. The licenses, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, registrations and entitlements in relation to the BEL-Kotri Unit 1 Undertaking to the benefit of which the BEL-Kotri Unit 1 Undertaking may be eligible and which are subsisting or having effect immediately prior to the Effective Date, shall, with effect from the Effective Date, stand vested in and transferred to BTML without any further act or deed, and shall be appropriately mutated by the relevant authorities in favour of BTML.

Part 15. Guarantees

15.1. The Bank Guarantee bearing number UBL/CORP/2672/2000 dated 1 April 2000 has been issued by United Bank Limited (on behalf of BEL) in favour of Sui Southern Gas Company Limited, as amended from time to time with last amendment having been made via letter of guarantee amendment dated 10 March 2022, with an aggregate guaranteed amount of PKR 63,507,190 (hereinafter "Bank Guarantee").

15.2. BTML shall procure that a bank guarantee in terms substantially similar to the Bank Guarantee is issued in favour of in favour of Sui Southern Gas Company Limited within forty-five (45) days of the Effective Date, unless there has been or required to be a change, arising from the BEL-Kotri Unit 1 Undertaking, in the respective beneficiary or amounts between the Effective Date and the re-issuance date in which case the bank guarantee whose issuance shall be procured by BTML with such amended particulars as are necessary. On the issuance of the bank guarantee procured by BTML, the Bank Guarantee mentioned in paragraph 15.1 of this Part 15 (*Guarantees*) shall stand cancelled and BEL shall be entitled to seek the return of the same from SSGC.

Part 16. Tax

16.1. All Tax liabilities of BEL up to the Effective Date relating to the BEL-Kotri Unit 1 Undertaking under any law for the time being in force shall be retained by BEL. BEL shall cease to have any Tax liabilities in relation to the BEL-Kotri Unit 1 Undertaking on and from the Effective Date.

Where such tax liability (in respect of period after the Effective Date) is payable by BEL after the Effective Date, BTML shall be liable to reimburse such amounts to BEL.

16.2. With effect on and from the Effective Date (in respect of period after the Effective Date), all rights of the BEL to refunds, credits, advance payments or any other benefits in respect of any Tax relating to the BEL-Kotri Unit 1 Undertaking shall remain in BEL. Where any such Tax refund or benefit is received by BTML after the Effective Date, it shall promptly on receipt of it, pay the same to BEL.

Part 17. Scheme's Effect

17.1. The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Part 5 (*Effective Date*) above.

17.2. The Arrangement being affected in terms of this Scheme shall not: (a) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession or other disposition under any law for the time being in force; (b) give rise to any forfeiture; (c) invalidate or discharge any contract or encumbrance in respect of the BEL-Kotri Unit 1 Undertaking; and (d) give rise to any right of first refusal or pre-emptive right to any other person.

17.3. As of the Effective Date, the terms of this Scheme shall be binding on the Companies and also on all the members and creditors of the Companies and on any other person having any right or liability in relation to either of them.

17.4. On the Arrangement coming into effect, the Companies shall take all necessary and expedient steps to properly and efficiently manage its entire businesses and affairs.

Part 18. Consideration and Related Matters

18.1. As consideration for the Arrangement, BTML shall allot and issue an aggregate of 40,964 ordinary shares of BTML credited as fully paid at par (the **"BTML Shares"**) to the BEL Shareholders in proportion to the existing shareholding of the BEL Shareholders. Fractional shares shall not be issued. All fractions less than a share shall be consolidated into whole shares which shall be disposed off by BTML as determined by the Board of Directors of BTML.

18.2. The BTML Shares to be issued and allotted to the BEL Shareholders shall, in all respects, rank equally with the ordinary shares of BTML issued to the existing shareholders of BTML before the Effective Date and shall be entitled to all dividends after the Effective Date.

18.3. The BTML Shares have been quantified and determined by Mushtaq and Company, Chartered Accountants, vide letter dated 7 April 2022 which sets out the calculations for the allotment and issue of the BTML Shares and attached as Schedule 7 (*Auditor's Letter*) on the basis of the (i) audited special purpose financial statements of BTML for the half year ended 31 December 2021 attached as Schedule 6 (*BTML Financial Statement*); and (ii) audited special purpose financial statements of BEL for the half year ended 31 December 2021 attached as Schedule 4 (*BEL Financial Statement*), and have been approved by the board of directors of both Companies.

18.4. Subsequent to the sanction of this Scheme, at least seven (7) days' notice shall be given to the members of BEL, by BEL, specifying the record date in order to determine the identities of the BEL Shareholders and their entitlements to the BTML Shares. Such notice shall also specify the date by which the BEL Shareholders shall deliver to BEL, for cancellation, all the share certificates representing ordinary shares in BEL held by them and such share certificates shall be delivered to BEL on or before such prescribed date. BEL shall, within seven (7) days of the record date provide BTML with the list of BEL Shareholders along with the details of their respective entitlements.

18.5. The share certificates delivered to or required to be delivered to BEL as per paragraph 18.4 shall stand cancelled (whether or not the same have been surrendered to BEL by the prescribed date) and the BEL Shareholders shall be entitled to share certificates / CDC book entries representing the

number of fully paid up BTML Shares to which such BEL Shareholder is entitled in accordance with this Scheme.

18.6. The allotment of BTML Shares in accordance with this Part 18 (*Consideration and Related Matters*) shall be made by BTML within forty-five (45) days of being provided with details of the BEL Shareholders and the BTML Shares to which such BEL Shareholders are entitled. BTML shall credit the respective CDC accounts / sub-accounts of the relevant BEL Shareholders with book entries in respect of their entitlement to the respective portion of the BTML Shares. Such allotment shall be carried out in accordance with the rules and regulations of CDC. Alternatively, in the event a BEL Shareholder does not have CDC account/sub account, the share certificates for such BEL Shareholder(s) shall be made ready for delivery as soon as practicable thereafter and notice of their readiness for their delivery shall be made to the BEL Shareholders in the prescribed manner. Any share certificates not collected shall be couriered to the respective BEL Shareholders at their registered addresses, provided however that BTML shall not be responsible for loss or damages to the share certificates on being despatched to the BEL Shareholders.

Part 19. Letter of Indemnity

19.1. BEL shall unconditionally and fully secure and indemnify BTML, on BTML's first written demand, and in any case not later than fifteen (15) days from the date of a demand, in the event BTML incurs any liability in relation to the BEL-Kotri Unit 1 GIDC Claims which shall stand transferred to BTML pursuant to this Scheme on the Effective Date. BEL shall immediately, if requested by BTML, deliver to BTML a letter of indemnity confirming its obligation as stated in this Part 19 (*Letter of Indemnity*) in form and substance acceptable to BTML.

Part 20. General

20.1. Governing Law: This Scheme shall be governed by and be construed in accordance with the laws of Pakistan.

20.2. Court's Directives: For the purposes of giving effect to the objects of this Scheme and for removing any lacunae, doubt or ambiguity contained in this Scheme, the Court may issue directions, either generally or specially, to the Companies which directions shall be final and binding. The Companies by their respective Chairman, Chief Executive Officer or other authorised representative appointed by their respective Board of Directors are hereby authorised to assent to any modification or amendment of this Scheme or agree to any terms and/or conditions which the Court may deem fit to direct or impose. Notwithstanding the foregoing, in the event this Scheme is not approved by the members of BEL and BTML in its entirety and/or the Scheme is modified by the Court, the board of directors of BEL and BTML shall be entitled to withdraw this Scheme (whether or not approval from the members of BEL and BTML has been obtained).

20.3. Severability: If any provision of this Scheme is found to be unlawful and unenforceable by a competent court of law, then to the fullest extent possible all of the remaining provisions of this Scheme shall remain in full force and effect.

20.4. Costs: All costs and expenses incurred in connection with carrying out this Scheme into effect on and from the Effective Date shall be borne and paid by entirely by BTML.

20.5. Notwithstanding the provisions of the Scheme, the Companies acknowledge and agree that the each of them shall take all necessary steps as may be required under applicable law to give effect to the terms of the Scheme.

Karachi.

Dated: 22 April 2022

Schedule 1. BEL-Kotri Unit 1 Undertaking

A. Gas Generators

1. Gas Generator 1: 1995-1996 – VHP-635KW WAUKESHA
2. Gas Generator 2: 2016-2017 – 1413KW JENBACHER
3. Gas Generator 3: 2014-2015 – VHP 900KW WAUKESHA
4. Gas Generator 4: 2016-2017 – 1413KW JENBACHER
5. Gas Generator 5: 1995-1996 – VHP-635KW WAUKESHA

B. Contracts

1. Contract for the supply of gas for industrial use between Sui Southern Gas Company and BEL dated 23 February 1995 as amended from time to time together with the gas supply notice furnished in pursuance thereof.

2. The agreement dated 28 January 1998 entered into between the Government of Sindh acting through the Secretary, Irrigation and Power Department, and BEL.

C. Licenses / Approvals

1. NEPRA Generation License No. SGC/013/2002 issued under letter dated 31 January 2002, as modified from time to time and last modified on 21 September 2015, in respect of the BEL-Kotri Unit 1.

2. Environmental Approval bearing letter number No. EPA/ROH/REN-EMP/GF/75/2019, as renewed by the Approval for Renewal of Environmental Management Plan bearing reference number EPA/ROH EMP/GF/75/2019/09/2021 dated 08 February 2021 accorded by the Environmental Protection Agency to BTML and BEL.

3. Laying of Gas Line - Ref: 1056 dated 05/09/1995 from S.I.T.E Limited for BTML.

4. Permission for the Commissioning of Generating Sets 3x635 -KW along with controlling apparatus under Electricity Act and Rules bearing reference number /OS-Hyd/-341 dated 13 February 1996.

5. NOC issued by the Additional District Magistrate, Kotri, dated 18 September 1997, allowing an NOC to install the generators in the public intertest.

6. Notification bearing number HOPP-6/29-75PMABBRG dated 28 January 1998 issued by the Irrigation and Power Department, Government of Sindh.

D. Cooling Towers

Heat exchangers, heat recovery system (water filter), ventilation of power house, electrical switch gear panels, all electric equipment and fittings, gas line and pipe fittings.

E. GIDC Liability and other Properties

All properties (whether movable or immovable); rights, titles and assets (whether tangible or intangible), privileges, powers, licenses, permissions, claims, and interests, in connection with the power generation facility of BEL-Kotri Unit 1 including but not limited to the following:

i. the constructions raised on Plot No. E/2 (admeasuring 13.00 (thirteen) acres), Sindh Industrial Trading Estate (SITE), Kotri, having a total covered area of approximately 5,500 Square Feet (Five Thousand and Five Hundred) square feet;

ii. all plant, machinery, equipment, furniture and fixtures, computer hardware and software, software applications and licenses, office equipment, appliances, and accessories, spare parts and tools;

iii. all stores and spares;

iv. all legal and/or beneficial interests including, without limitation, statutory, contractual and/or regulatory rights, titles, permissions, concessions, privileges, sanctions, approvals, licenses, and registrations, all benefits and rights under contracts but excluding rights under or relating to contracts of employment;

v. all data, information, records, instruments, documents of title, market statistics, marketing surveys and reports, marketing research, advertising or other promotional material and information, accounting (including management account records) financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche);

vi. all connections, equipment, installations and facilities pertaining to telecommunications, water, gas, electricity, sewerage or other utilities including but not limited to the gas connection issued by the SSGC to BEL for the BEL-Kotri Unit 1;

vii. all liabilities and obligations, Claims, petitions, suits, applications or appeals, filed before or pending with any court, authority, tribunal or regulatory body relating to BEL-Kotri Unit 1 GIDC Claims;

viii. all intellectual property rights, whether registered or not, trade secrets, technical data, processes and know-how, industrial and technical information, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche).

F. Insurance Policies

All insurance policies relating to the BEL-Kotri Unit 1 including but not limited to Fire and Machinery Breakdown.

Schedule 2. Directors of the Companies

Part A – Directors of BTML

Sr	Names of Directors	CNIC	Designation
1	Mr. Mohammad Salim	4230167192629	Director
2	Mr. Mohammad Shaheen	4230192076329	Director
3	Mr. Hamza Shakeel	4230176340581	Director
4	Mr. Khurrum Salim	4230112305267	Director / CEO
5	Mr. Bilal Sharif	4200020442609	Director
6	Mr. Mohammad Amin	4230193026329	Director
7	Mr. Iqbal Mehboob	4230141900549	Director
8	Mrs. Saba Yousaf	4230169020398	Director
9	Mr. Asif Elahi	4230110035523	Director
10	Mr. Mustafa Tanvir	4230181790671	Director

Part B – Directors of BEL

Sr	Names of Directors	CNIC	Designation
1	Mr. Mohammad Salim	4230167192629	Director
2	Mr. Mohammad Shaheen	4230192076329	CEO / Director
3	Mr. Mohammad Shakeel	42301-57780185	Director
4	Mr. Khurrum Salim	4230112305267	Director
5	Mr. Bilal Sharif	4200020442609	Director
6	Shaikh Muhammad Waseem	42501-7302132-9	Director
7	Zafar Iqbal Peracha	42301-0729590-5	Director
8	Qamar Siddique	35202-8394382-7	Director

Schedule 3. List of Directors Without Interest

Part A – Directors of BTML

Sr	Names of Directors	CNIC	Designation
1	Mr. Iqbal Mehboob	4230141900549	Director
2	Mrs. Saba Yousaf	4230169020398	Director
3	Mr. Asif Elahi	4230110035523	Director
4	Mr. Mustafa Tanvir	4230181790671	Director

Part B – Directors of BEL

Sr	Names of Directors	CNIC	Designation
1	Shaikh Muhammad Waseem	42501-7302132-9	Director
2	Zafar Iqbal Peracha	42301-0729590-5	Director
3	Qamar Siddique	35202-8394382-7	Director

Schedule 4. BEL Financial Statement

Separately attached as Annexure 1.

Schedule 5. BEL-Kotri Unit 1 Financial Position

Separately attached as Annexure 2.

Schedule 6. BTML Financial Statement

Separately attached as Annexure 3.

Schedule 7. Auditor's Letter

Separately attached as Annexure 4.

Annexure 1

BHANERO ENERGY LIMITED

Financial Statements
for the period from July 01, 2021 to
December 31, 2021

A. D. Akhawala & Co.
Chartered Accountants
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Karachi 74000,
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Independent Auditor's Report to the members of Bhanero Energy Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Bhanero Energy Limited** (the Company), which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from July 01, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the period from July 01, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1.3 of the financial statements in which described that the annexed financial statements for the period from July 01, 2021 to December 31, 2021 has been audited on the specific request of the board of directors of the Company to formulate and propose to the Board of Directors, as discussed and directed by the Board of Directors in their meeting held on April 05, 2022 the terms to carve out BEL Unit 1 and to merge BEL Unit 1 with and into Bhanero Textile Mills Limited (BTML) through a scheme of arrangement Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Adaco.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the proprietor regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Dawood Akhawala.

A. D. Akhawala

A.D. Akhawala & Co.
Chartered Accountants

Karachi, Dated: April 05, 2022

Adaco.

BHANERO ENERGY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	December, 31 2021 Rupees	June, 30 2021 Rupees		Note	December, 31 2021 Rupees	June, 30 2021 Rupees
SHARE CAPITAL AND RESERVES				***NON-CURRENT ASSETS***			
Share capital	3	**24,636,500**	24,636,500	Property, plant and equipment	9	**597,295,924**	697,331,035
Capital reserve	4	**60,340,000**	60,340,000	Investment property	10	**465,526,032**	470,718,828
Unappropriated profit		**1,207,495,485**	1,146,161,715	Long term deposits	11	**2,484,127**	2,484,127
		1,292,471,985	1,231,138,215				
NON-CURRENT LIABILITIES				***CURRENT ASSETS***			
Long term financing	5	**52,982,204**	58,028,076	Stores, spares and loose tools	12	**165,028,567**	111,907,249
Deferred liability	6	**350,820,902**	340,659,639	Loan, advances other receivables and prepayments	13	**3,303,958**	939,242
CURRENT LIABILITIES							
Trade and other payables	7	**112,849,878**	102,185,115	Other financial assets	14	**3,300,000**	3,300,000
Accrued interest/mark-up on long term loan		**409,375**	431,237	Sales tax refundable		**13,682,547**	10,944,514
				Trade debts	15	**98,402,756**	44,963,139
Current portion of long term financing		**10,091,744**	10,091,744	Income tax refundable		**15,973,371**	15,943,371
				Bank balances -in current accounts	16	**345,620,705**	384,002,520
				Asset held for transfer	17	**109,008,101**	-
		123,350,998	112,708,096			**754,320,005**	572,000,035
CONTINGENCIES AND COMMITMENT	8						
		1,819,626,088	1,742,534,026			**1,819,626,088**	1,742,534,026

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

CHIEF EXECUTIVE OFFICER *DIRECTOR* *CHIEF FINANCIAL OFFICER*

BHANERO ENERGY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM JULY 01, 2021 TO DECEMBER 31, 2021

	Note	*July 01, 2021 to December 31, 2021* Rupees	*July 01, 2020 to June 30, 2021* Rupees
Sale of electricity	18	**173,651,200**	348,756,725
Generation cost	19	**(135,856,272)**	(222,174,007)
Gross profit		**37,794,928**	126,582,718
Administrative expenses	20	**(11,148,311)**	(19,184,622)
Other operating expenses	21	**(1,753,265)**	(7,247,051)
Finance cost	22	**(1,379,941)**	(2,368,373)
		23,513,412	97,782,673
Other operating income	23	**37,633,579**	326,108,814
Profit before taxation		**61,146,990**	423,891,487
Taxation		**-**	-
Profit after taxation		**61,146,990**	423,891,487
Other comprehensive income			
Actuarial gain on liability arising on experience adjustments		**186,779**	3,289,999
Total comprehensive profit for the period/year		**61,333,769**	427,181,486
Earnings per share - basic and diluted	24	**24.82**	172.06

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER *DIRECTOR* *CHIEF FINANCIAL OFFICER*

BHANERO ENERGY LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 01, 2021 TO DECEMBER 31, 2021

	July 01, 2021 to December 31, 2021 Rupees	*July 01, 2020 to June 30, 2021 Rupees*
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**61,146,990**	423,891,487
Adjustments for:		
Depreciation	**5,460,870**	11,136,930
Gain on disposal of investment properties	**(37,467,990)**	(325,969,762)
Provision for staff retirement benefits	**988,144**	938,279
Provision for slow moving stores and spares	**-**	1,864,725
Infrastructure fee	**-**	172,897
GID Cess, tariff differences and surcharges	**9,359,897**	7,512,036
Reversal for GIDC cess provision	**-**	(90,676,789)
Finance cost	**1,162,609**	1,730,939
	(20,496,471)	(393,290,745)
Operating cash flows before working capital changes	**40,650,520**	30,600,741
Changes in working capital		
(Increase) / decrease in current assets:		
Store, spares and loose tools	**(67,555,176)**	(21,782,325)
Loan, advances, other receivables and prepayments	**(2,364,717)**	10,367,642
Sales tax refundable	**(2,738,033)**	12,062,752
Trade debts	**(53,439,617)**	(44,963,139)
Increase / (decrease) in current liabilities:		
Trade and other payables	**10,664,763**	58,119,284
	(115,432,780)	13,804,213
	(74,782,260)	44,404,955
Finance cost paid	**(1,184,470)**	(1,735,875)
Staff retirement benefits paid	**-**	(7,354,459)
Taxes paid	**(30,000)**	(820,855)
Net cash (used in)/generated from operating activities	**(75,996,730)**	34,493,766
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	**49,000,000**	438,366,000
Payment made for acquisition of property, plant and equipment	**-**	(10,806,740)
Capital work in progress	**-**	146,084
Payment made for development charges- investment properties	**(6,339,214)**	(47,844,713)
Net cash generated from investing activities	**42,660,786**	379,860,631

	July 01, 2021 to December 31, 2021 Rupees	*July 01, 2020 to June 30, 2021 Rupees*
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of loan from banking companies	**(5,045,871)**	(1,261,700)
Loan obtained from directors and relatives	**-**	(6,800,000)
Gas infrastructure payment during the year	**-**	(40,237,761)
Net cash used in financing activities	**(5,045,871)**	(48,299,461)
Net decrease in cash and cash equivalents (A+B+C)	**(38,381,815)**	366,054,936
Cash and cash equivalents at beginning of the period/year	**384,002,520**	17,947,584
Cash and cash equivalents at end of the period/year	**345,620,705**	384,002,520

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER *DIRECTOR* *CHIEF FINANCIAL OFFICER*

BHANERO ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JULY 01, 2021 TO DECEMBER 31, 2021

	Issued, subscribed and paid-up capital	*Capital reserve*	*Unappropriated profit*	*Long term loan-Equity contribution*	*Total*
	---------- *Rupees* ----------				
Balance at July 01, 2020	24,636,500	60,340,000	718,980,230	6,800,000	810,756,730
Profit for the year ended June 30, 2021	-	-	423,891,487	-	423,891,487
Repayment of long term equity loan	-	-	-	(6,800,000)	(6,800,000)
Other comprehensive income - Actuarial loss on employees retirement benefits	-	-	3,289,999	-	3,289,999
Balance at June 30, 2021	24,636,500	60,340,000	1,146,161,715	-	1,231,138,215
Profit for the period from July 01, 2021 to December 31, 2021	-	-	61,146,990	-	61,146,990
Other comprehensive income Actuarial loss on employees retirement benefits	-	-	186,779	-	186,779
Balance at December 31, 2021	**24,636,500**	**60,340,000**	**1,207,495,485**	-	**1,292,471,985**

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER *DIRECTOR* *CHIEF FINANCIAL OFFICER*

1 STATUS AND NATURE OF BUSINESS

1.1 Bhanero Energy Limited (the Company) was incorporated in Pakistan as a Public Limited Company on January 02, 1994 under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017).

The principal activity of the Company is to generate and supply electric power.

The geographical location and address of the Company's business units, including mills/plant is as under:

-The Company's registered office is situated at Umer House 23/1, Sector 23, S.M Farooq Road, Korangi Industrial area, Karachi in the province of Sindh.

-The power plants are located at Kotri in the province of Sindh (Unit-I) and Sheikhupura in the province of Punjab (Unit-II)

1.2 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

1.3 These special purpose audited financial statements are prepared for the period from 1 July 2021 to 31 July 2021 to formulate and propose to the Board of Directors, as discussed and directed by the Board of Directors in their meeting held on April 05, 2022, the terms to carve out BEL Unit 1 and to merge BEL Unit 1 with and into Bhanero Textile Mills Limited (BTML) through a scheme of arrangement, the draft of which has been approved by the Board of Directors, under section 279-282 and section 285 of the Companies Act, 2017, to be entered into between BEL and BTML, subject to finalization of the scheme and fulfillment of necessary legal facilities. As a result, these special purpose financial statements may not be suitable for any other purpose. Our report is intended solely for the use of the Board of Directors in connection with the abovementioned purpose and should not be distributed to or used by parties other than the Board of Directors.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of preparation

These financial statements have been prepared under the 'historical cost convention' except for financial assets and financial liabilities, which are stated at fair value/Amortized value and obligation in respect of defined benefit plan (gratuity) which is measured at the present value.

The principal accounting policies adopted are set out below :

1 2020 .

2.3 *New accounting standards / amendments and IFRS interpretations that are effective for the period ended December 31, 2021.*

The following standards, amendments and interpretations are effective for the period ended December 31, 2021. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments / Interpretation	*Effective from accounting period beginning on or after:*
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01,2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

2.4 *Employee benefit costs*

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed a minimum qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method by the independent valuer. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

The liability recognized in the balance sheet is the present value of defined benefit obligation at the end of the reporting date as determined as per actuarial valuation. The recent valuation of the scheme was carried out as at December 31, 2021 by the management of the Company. Details of the scheme are given in note 6.1 of these financial statements.

2.5 *Provision*

Provisions are recognized when the company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.6 *Taxation*

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Profits and gains derived by the Company from electric power generation project are exempt from tax under clause 132 of the Second Schedule to the Income Tax Ordinance, 2001.

Capital gain arise on any item is taxable as per relevant section of income tax ordinance 2001.

The Company is also exempt from minimum tax on turnover under Section 113 as per clause V, clause II, of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

2.7 *Trade and other payables*

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

2.8 *Property, plant and equipment*

Owned

Property, plant and equipment except land and capital work in progress are stated at cost less accumulated depreciation and impairment in value, if any. Land and capital work in progress are stated at cost.

Depreciation is charged to income applying reducing balance method except plant and machinery, the units of production/output method is used at the rates specified in the operating assets note 10.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Assets residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Normal repair and maintenance costs are charged to income during the period in which they are incurred. The company once in a three year period incurred major capital expenditure on overhauling of its power generators, which is depreciated over three year period on straight line basis.

Gain and loss on disposal of property, plant and equipment, if any, are recognized as and when incurred.

Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

2.9 *Asset held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

2.10 *Impairment of assets*

Financial assets

The impairment model applies as per IFRS 9 to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following basis:

-12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

-Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instruments

2020 .

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost as explained above.

Non-financial assets

The carrying amounts of non-financial assets, except deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net off depreciation or amortization, if no impairment loss had been recognized.

2.11 Investment property

Property held to earn rentals or for capital appreciation or both and which is not in Company's own use is classified as investment property. The investment property of the Company comprise of land and is valued using cost model i.e. at cost and identified impairment loss, if any.

Maintenance and normal repairs are charged to Profit & loss as and when incurred. Major renewals and improvements are capitalized.

2.12 Investment

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

Investments in equity instruments of subsidiary and associated companies

These investments are measured at cost.

Fair value through other comprehensive income or loss

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

Financial assets at fair value through profit or loss

There are investments designated at fair value through profit or loss at inception. There are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

2020.

Amortized Cost

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method, less any impairment loss. Gains and losses are recognized in the income statement when the investments are de-recognized or impaired, as well as through the amortization process.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.13 Stores and spares

These are valued at the cost, determined on moving average cost less allowance for obsolete and slow moving items(if any). Items in transit are valued at invoice values plus other charges incurred thereon up to balance sheet date.

2.14 Debtors and other receivables

Debtors and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified. Other receivable are recognized and carried at cost which approximate its fair value.

2.15 Financial instruments

a) Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

b) Classification of financial assets

The Company classifies its financial instruments in the following categories:
a) at fair value through profit and loss ("FVTPL"),
b) at fair value through other comprehensive income ("FVTOCI"), OR
c) at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

-the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely Payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

-the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

b) Classification of financial liabilities

The company classifies its financial liabilities in the following categories:
a) at fair value through profit or loss or,
b) at amortized cost

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

c) Subsequent measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income/(loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial assets

The impairment model applies to financial assets as per IFRS 9 measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following basis:

-12 - months ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

-Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instruments

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost as explained above.

2020 .

Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

2.16 Revenue recognition

Revenue on account of energy is recognized on transmission of electricity using the 'performance obligation satisfied over time' approach under IFRS 15 as the customer simultaneously receives and consumes the benefits provided by the Company's performance. There is no significant financing component attached to the receivables from the customer. Company submits invoices of energy on monthly basis.

Income on bank deposits are recorded on time proportionate basis using effective interest rate.

Rental income from investment property that is leased to a third party under an operating lease is recognized in the statement of profit or loss on a straight-line basis over the lease term and is included in 'other income'.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.18 Dividend and other appropriations

Dividend and other appropriations are recognized as a liability in the financial statements in the period in which the dividend and other appropriations are approved by the Company's shareholders.

2.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Foreign currencies

Transactions in currencies other than Pak. Rupees are recorded at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.21 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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2.22 Use of estimates and judgments

The preparation of financial statements in conformity with international financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

- Useful lives of property, plant and equipment (note 10.1); and
- Provision for staff gratuity (note 7.1);

3 SHARE CAPITAL

Dec, 31 2021	*June 30, 2021*		*Dec, 31 2021*	*June 30, 2021*
Number of Shares			*Rupees*	*Rupees*
		Authorized capital		
15,000,000	15,000,000	Ordinary shares of Rs. 10 each	**150,000,000**	150,000,000
		Issued, subscribed and paid up		
2,463,650	2,463,650	Ordinary shares of Rs.10/- each fully paid in cash	**24,636,500**	24,636,500
2,463,650	2,463,650		**24,636,500**	24,636,500

3.1 There is no movement in share capital during the reporting year.

3.2 The Company has one class of ordinary shares which carry no right to fixed income.

3.3 The Company has no reserved shares under options and sales contract.

4 CAPITAL RESERVE

This represents share premium received on issuance of 2,413,600 (June 30, 2021: 2,413,600) ordinary shares issued at Rs. 25 per share.

			Dec, 31 2021 Rupees	June 30, 2021 Rupees
5	*LONG TERM FINANCING*			
	- Secured			
	SBP Long term finance	5.1	**63,073,948**	68,119,820
	Less: current portion of long term liabilities		**(10,091,744)**	(10,091,744)
			52,982,204	58,028,076

5.1 Movement

Opening balance	**68,119,820**	69,381,520
Repayment of loan during the period	**(5,045,872)**	(1,261,700)
Closing balance	**63,073,948**	68,119,820

5.1.1 Term Finance has been obtained from United Bank Limited under LTFF scheme of SBP to import machinery for balancing , modernization and replacing . The finance is secured by specific charge over the asset with 25% margin and first hypothecation charge of Rs. 80 million over plant and machinery including energy plant installed at at SITE, Kotri, Sindh. The facility is repayable in 10 years (32 equal quarterly installments) including grace period of two year. The finance carries fixed mark-up at SBP rate plus 0.5% (2020: fixed mark-up SBP rate plus 0.5%) per annum.

6	*DEFERRED LIABILITY*			
	Staff retirement gratuity	6.1	**6,334,567**	5,533,201
	Infrastructure fee payable	6.2	**2,981,399**	2,981,399
	Gas Infrastructure Cess and surcharges	6.3	**341,504,936**	332,145,039
			350,820,902	340,659,639

6.1 Staff retirement gratuity

The latest valuation of gratuity scheme was carried out as at December 31, 2021 using the projected unit credit method by the management of the Company based on the following significant assumptions:

	Dec, 31 2021	June 30, 2021
Discount rate (% per annum)	10	10
Salary increase rate (% per annum)	9	9

	Notes	Dec, 31 2021 Rupees	June 30, 2021 Rupees
6.1.1 **Liability recognized in balance sheet**			
Present value of defined benefit obligation		**6,334,567**	5,533,201
6.1.2 **Movement in the present value of defined benefit obligations:**			
Opening balance		**5,533,202**	15,239,380
Expenses recognized in profit and loss	6.1.2.1	**988,144**	938,279
Remeasurement recognized in other comprehensive income	6.1.2.2	**(186,779)**	(3,289,999)
Benefits paid during the year		**-**	(7,354,459)
Closing balance		**6,334,567**	5,533,201

6.1.2.1 Expenses recognized in profit and loss	Notes	Dec 31, 2021 Rupees	June 30, 2021 Rupees
Current service cost		508,052	478,788
Interest cost		480,092	459,491
		988,144	938,279

6.1.2.2 Remeasurement recognized in other comprehensive income

Actuarial gain on liability arising on experience adjustments	(186,779)	(3,289,999)

Amounts for the current and previous four years are as follows:

	December 31, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2019
	<----------Rupees---------->				
Present value of defined benefit obligation	6,334,567	5,533,201	15,239,380	19,971,384	20,080,528

6.1.2.3 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Impact on defined benefit obligation	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%	(502,545)	603,032
Salary growth rate	1%	603,032	(511,036)

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

6.2 Sindh Infrastructure Cess was levied by Excise and Taxation Officer [ETO] Government of Sindh on movement of imported goods entering the Sindh Province from outside Pakistan and Punjab Infrastructure Tax levied by ETO Government of Punjab on movement of imported goods entering the Punjab Province from outside Pakistan. The Company filed petitions in Sindh High Court and Lahore High Court against the levy. During the year, Sindh High Court decided the case against the Company and directed to pay the outstanding amount to Excise and Taxation Department. The Company has filed petition in Supreme Court of Pakistan subsequent to year end and obtained stay on the recovery of these levies. During the pendency of final judgment on this, the Honorable Courts granting stay have directed the petitioners to pay 50% of liability for levies to ETO and to arrange bank guarantees for the remaining amount in favor of ETO. The liability represents 50% of levies against which guarantees have been arranged in favor of ETO. The company has provided bank guarantees amounting to Rs. 3.3 million (2021: Rs. 3.3 million) in respect of unpaid infrastructure fee.

6.3 It includes GIDC amounting to Rs 155,946,867 (June 30, 2021: Rs 155,946,867).

6.3.1 The Company vide petition filed before the High Court of Sindh challenged the recovery of GIDC installments. The High Court of Sindh vide its order dated 22 November 2020 has suspended the recovery of GIDC installments. Further, the Company vide petition 1848/2021 dated 30 August 2021 filed before the High Court of Sindh challenged the levy of GIDC on the ground of the Government's failure to comply with the Supreme Court's judgment dated 13 August 2020 in relation to commencement of work on specified projects.

	Notes	Dec 31, 2021 Rupees	June 30, 2021 Rupees
7 TRADE AND OTHER PAYABLES			
Creditors		**28,271,313**	20,731,020
Accrued expenses		**23,933,193**	23,104,084
Advance from customer	7.1	**48,717,948**	48,717,948
Workers profit participation fund		**6,850,186**	5,251,486
Other liabilities		**5,077,238**	4,380,577
		112,849,878	102,185,115

7.1 This amount is received from My Energy (Private) Limited against the sale of generators.

7.2 ***Workers' profit participation fund***

Balance at beginning of the year	**5,251,486**	-
Allocation for the period/year	**1,270,482**	5,251,486
Add: mark-up on the funds utilized in Company's business	**328,218**	-
Balance at the end of the period/year	**6,850,186**	5,251,486

7.2.1 Mark-up on the balance of workers' profit participation fund is calculated at the rate of 8% per annum.

	Notes	Dec 31, 2021 Rupees	June 30, 2021 Rupees
8 CONTINGENCIES AND COMMITMENT			
8.1 Contingencies			
8.1.1 Bank guarantee issued on behalf of the Company in favor of			
Sui Southern Gas Company Limited		**63,507,190**	58,377,749
Sui Southern Gas Company Limited -against tariff difference		**14,639,054**	3,293,317
The Director Excise and Taxation - against unpaid infrastructure fee		**3,300,000**	3,300,000

8.2 ***Commitment***

No commitment exists at period end (2021: Nil).

9 PROPERTY, PLANT AND EQUIPTMENT

Particulars	COST			DEPRECIATION				Carrying value at December 31, 2021	Depreciation Rate %
	At June 30, 2021	Asset held for transfer to BTML**	At December 31, 2021	At June 30, 2021	For the period from July 01, 2021 to June 30, 2021	Adjustment for held for transfer to BTML	At December 31, 2021		
	<---------- Rupees ---------->								
Freehold land	2,829,535	-	2,829,535	-	-	-	-	2,829,535	-
Buildings on freehold land									
-factory	57,181,466	(2,962,684)	54,218,782	41,404,977	860,989	(2,740,152)	39,525,814	14,692,968	10
-non factory	16,583,031	-	16,583,031	10,118,275	87,557		10,205,832	6,377,199	5
Plant and machinery	989,064,657	(153,016,322)	836,048,335	418,834,323	2,174,806	(59,430,587)	361,578,542	474,469,793	*
Heating and cooling system	159,448,256	-	159,448,256	87,067,064	743,376		87,810,440	71,637,816	5 and *
Electric installation and equipment	50,362,434	(5,425,604)	44,936,830	24,370,964	1,299,571	(4,922,512)	20,748,023	24,188,807	10
Tanks	12,209,041	-	12,209,041	11,247,427	48,081		11,295,508	913,533	10
Furniture and fixtures	1,333,077	(403,321)	929,756	1,152,213	9,043	(325,952)	835,304	94,452	10
Office equipment	439,751	-	439,751	354,385	4,269		358,654	81,097	10
Gas fittings	2,047,457	(2,047,457)	-	1,852,179	9,764	(1,861,944)	-	-	10
Vehicles	7,317,574	-	7,317,574	5,083,435	223,415		5,306,850	2,010,724	20
	1,298,816,279	**(163,855,388)**	**1,134,960,891**	**601,485,244**	**5,460,870**	**(69,281,147)**	**537,664,967**	**597,295,924**	

* units of production method
** Bhanero Textile Mills Limited

	Note	July 01, 2021 to December 31, 2021 Rupees	July 01, 2020 to June 30, 2021 Rupees
10.1.2 Depreciation for the year has been allocated as under :			
Generation cost	19	**5,333,690**	10,820,113
Administrative expense	20	**127,180**	316,817
		5,460,870	11,136,930

For comparative period

Particulars	COST			DEPRECIATION			Carrying value at June 30, 2021	Depreciation Rate
	At July 1, 2020	Additions/ Transfer*	At June 30, 2021	At July 1, 2020	For the year/Transfer*	At June 30, 2021		
	<---------- Rupees ---------->							
Freehold land	2,829,535	-	2,829,535	-	-	-	2,829,535	
Buildings on freehold land								
-factory	57,181,466	-	57,181,466	39,736,435	1,668,542	41,404,977	15,776,489	10
-non factory	16,583,031	-	16,583,031	9,698,066	420,209	10,118,275	6,464,756	5
Plant and machinery	989,064,657	-	989,064,657	414,517,431	4,316,892	418,834,323	570,230,334	*
Heating and cooling system	148,641,516	10,806,740	159,448,256	85,940,378	1,126,686	87,067,064	72,381,192	
Electric installation and equipment	50,362,434	-	50,362,434	21,483,023	2,887,941	24,370,964	25,991,470	10
Tanks	12,209,041	-	12,209,041	11,140,581	106,846	11,247,427	961,614	10
Furniture and fixtures	1,333,077	-	1,333,077	1,132,117	20,096	1,152,213	180,864	10
Office equipment	439,751	-	439,751	344,900	9,485	354,385	85,366	10
Gas fittings	2,047,457	-	2,047,457	1,830,482	21,697	1,852,179	195,278	10
Vehicles	7,317,574	-	7,317,574	4,524,899	558,536	5,083,435	2,234,139	20
	1,288,009,539	**10,806,740**	**1,298,816,279**	**590,348,313**	**11,136,930**	**601,485,244**	**697,331,035**	

* units of production method

		Note	Dec 31, 2021 Rupees	June 30, 2021 Rupees
10	*INVESTMENT PROPERTY - AT COST*			
	Land	10.1	**465,526,032**	470,718,828
10.1	*Cost*			
	At July 01		**470,718,828**	535,270,353
	Development charges paid		**6,339,214**	47,844,713
	Disposal of land during the period		**(11,532,010)**	(112,396,238)
	At June 30		**465,526,032**	470,718,828

10.1.1 This represents 141 (December 31, 2021: 145) plots in DHA, Lahore and 1 (December 31, 2020: 1) plot in Lake City, Lahore with total area of 79 kanals and 15 Marlas (2021: 81 Kanals and 15 Marlas).

10.1.2 Joseph Lobo (Private) Limited has carried out an independent valuation at June 30, 2021 of investment properties located at Lahore. The fair value of investment properties on the basis of their professional assessment is Rs. 3 billion . The forced sale value of the investment properties is Rs. 2.55 billion.

11 *LONG TERM DEPOSITS*

These represent security deposits placed with various utility companies.

		Note	Dec 31, 2021 Rupees	June 30, 2021 Rupees
12	*STORES, SPARES AND LOOSE TOOLS*			
	Stores		**57,165,799**	56,829,328
	Spares		**13,318,854**	13,318,854
	Oil and lubricants		**114,111,625**	46,892,919
			184,596,279	117,041,102
	Less: Stores and spares held for transfer		**(14,433,859)**	-
			170,162,420	117,041,102
	Less: Provision for slow moving stores and spares	13.1	**(5,133,853)**	(5,133,853)
			165,028,567	111,907,249
12.1	***Provision for slow moving stores and spares***			
	Opening balance		**5,133,853**	3,269,128
	Charge of provision during the year		**-**	1,864,725
	Closing balance		**5,133,853**	5,133,853
13	***LOAN, ADVANCES, OTHER RECEIVABLES AND PREPAYMENTS***			
	- Considered good			
	Secured			
	Loan to employees		**146,000**	167,000
	Unsecured			
	Advance to suppliers		**323,871**	27,474
	Prepaid expenses		**904,473**	175,138
	Other receivables		**1,929,615**	569,630
			3,303,958	939,242

		Note	Dec 31, 2021 Rupees	June 30, 2021 Rupees
14	**OTHER FINANCIAL ASSETS**			
	Term deposit receipt		**3,300,000**	3,300,000

14.1 The Term deposit receipt due to mature on February 22, 2022.The TDR and carries markup at the rate of 5.50% (June 30, 2021: 6.50% to 5.50%) per annum payable quarterly in arrears. The TDRs is given as counter guarantee against bank guarantee facility.

15	**TRADE DEBTS**			
	Secured- Considered good			
	Trade debts- from related party	15.1	**98,402,756**	44,963,139

15.1 The amount is receivable from Bhanero Textile Mills Limited against sale of electricity

15.2 The age analysis of debtors

1 to 30 days	**98,402,756**	44,963,139

16	**BANK BALANCES**			
	Cash at bank - in current accounts		**345,620,705**	384,002,520
17	**ASSET HELD FOR TRANSFER**			
	-to Bhanero Textiles Mills Limited			
	Property, plant and equipment	17.1	**94,574,242**	-
	Stores and spares	17.2	**14,433,859**	-
			109,008,101	-

17.1 ***Property, plant and equipment***

	Cost	*Accumulated depreciation*	*Net book value*
	<----------Rupees---------->		
Buildings on freehold land			
-factory	2,962,684	2,740,152	222,532
Plant and machinery	153,016,322	59,430,587	93,585,735
Electric installation and equipment	5,425,604	4,922,512	503,093
Furniture and fixtures	403,321	325,952	77,369
Gas fittings	2,047,457	1,861,944	185,513
	163,855,388	**69,281,147**	**94,574,242**

17.2 It includes slow moving items of stores and spares amounting to Rs. 5,133,853.

			July 01, 2021 to December 31, 2021	*July 01, 2020 to June 30, 2021*
18	***SALE OF ELECTRICITY***			
	Sale		**203,305,623**	408,317,569
	Sales tax		**(29,540,133)**	(59,328,194)
	Electric duty- Excise and taxation, Sindh		**(114,290)**	(232,650)
			173,651,200	348,756,725
19	***GENERATION COST***			
	Oil and gas consumed		**107,404,580**	139,191,094
	Salaries, wages and benefits	19.1	**4,555,753**	10,858,855
	Utilities		**9,896,175**	15,586,815
	Stores and spares		**2,455,316**	32,407,305
	Professional tax		**15,000**	30,000
	Insurance		**4,911,000**	8,642,423
	Vehicle running and maintenance		**53,950**	104,219
	Telephone and postage		**32,439**	72,665
	Traveling and conveyance		**43,444**	115,277
	Provision for slow moving on stores and spares		**-**	1,864,725
	Repairs and maintenance		**1,154,925**	2,256,755
	Depreciation	9	**5,333,690**	10,820,113
	Others		**-**	223,761
			135,856,272	222,174,007

19.1 Salaries, wages and benefits include Rs. 814,932 (2021: Rs.750,997) in respect of staff retirement benefits.

20	***ADMINISTRATIVE EXPENSES***			
	Directors remuneration	25	**6,000,000**	12,000,000
	Staff salaries and benefits	20.1	**1,239,065**	1,868,393
	Travelling and conveyance		**12,250**	9,200
	Telephone and postage		**35,141**	81,083
	Printing and stationery		**-**	6,110
	Rent, rates and taxes		**522,032**	814,168
	Fees and subscription		**1,396,643**	1,241,439
	Legal and professional		**1,425,000**	2,360,000
	Software maintenance		**-**	72,311
	Auditors remuneration	20.2	**350,000**	350,000
	Depreciation	9	**127,180**	316,818
	Others		**41,000**	65,100
			11,148,311	19,184,622

20.1 Staff salaries and benefits include Rs.173,212 (2021: Rs. 187,282) in respect of staff retirement benefits.

20.2 Auditors remuneration

Audit fee	**325,000**	325,000
Out of pocket expense	**25,000**	25,000
	350,000	350,000

21	***OTHER OPERATING EXPENSE***			
	Workers profit participation fund		**1,270,482**	5,251,486
	Workers welfare fund		**482,783**	1,995,565
			1,753,265	7,247,051

		July 01, 2021 to December 31, 2021	*July 01, 2020 to June 30, 2021*
22	***FINANCE COST***		
	Interest / mark-up on		
	Long term financing	**834,390**	1,730,939
	Workers' Profit Participation Fund	**328,219**	-
	Bank charges and commission	**217,333**	637,434
		1,379,941	2,368,373
23	***OTHER OPERATING INCOME***		
	Income from non-financial assets		
	Gain on disposal of investment property	**37,467,990**	325,969,762
	Income from financial assets		
	Interest income	**165,589**	139,052
		37,633,579	326,108,814

24 ***EARNINGS PER SHARE***

- Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company which is computed as follows :

Profit after taxation (Rupees)	**61,146,990**	423,891,487
Weighted average number of ordinary shares outstanding during the period/year	**2,463,650**	2,463,650
Earnings per share (Rupees)	**24.82**	172.06

25 ***REMUNERATION OF DIRECTOR AND EXECUTIVES***

The aggregate amount charged in accounts for the year for remuneration to director and executives of the Company were as follows:

	<----- *Rupees* ----->		
	Director	*Executives*	*July 01, 2021 to Dec 31, 2021*
Remuneration	**6,000,000**	**1,434,000**	**7,434,000**
Number of persons	**1**	**1**	

	<----- *Rupees* ----->		
	Director	*Executives*	*July 01, 2020 to June 30, 2021*
Remuneration	12,000,000	2,000,121	14,000,121
Number of persons	1	1	

25.1 No other benefits are provided to the Director of the Company during the year.

26 *TRANSACTIONS WITH RELATED PARTIES*

The related parties comprise directors, associated undertakings, key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Name, relationship and percentage shareholding with the Company	*Nature of transactions*	*Dec 31, 2021 Rupees*	*June 30, 2021 Rupees*
-Associated companies (by virtue of common directorship)			
Bhanero Textile Mills Limited	Sale of electricity	**171,125,106**	422,010,543
Faisal Spinning Mills Limited	Sale of electricity	**177,020**	1,043,668
Blessed Textile Limited	Sale of electricity	**2,463,364**	5,679,238
Admiral (Private) Limited	Rent paid	**154,500**	309,000
-Directors / Relatives			
Mr. Saqib Salim (3.70% (2021: 3.70%) of share holdings)	Loan repaid	-	5,000,000
Mrs. Nazli shakeel (5.8% (2021: 0.097%) of share holdings)	Loan repaid	-	450,000
Mrs. Anjum sharif (Spouse of director)	Loan repaid	-	450,000
Mrs. Seema Shaheen (Spouse of director)	Loan repaid	-	450,000
Mrs.Yasmeen Begum (0.093% (2021: 0.093%) of share holdings)	Loan repaid	-	450,000

27 *FINANCIAL INSTRUMENTS BY CATEGORY*	*Dec, 31 2021 Rupees*	*June, 30 2021 Rupees*
Financial assets as per balance sheet		
Long term deposits	**2,484,127**	2,484,127
Loan, advances other receivables and prepayments	**2,075,615**	736,630
Other financial assets	**3,300,000**	3,300,000
Trade debt	**98,402,756**	44,963,139
Bank balances-in current accounts	**345,620,705**	384,002,520
	451,883,203	435,486,416
Financial liabilities as per balance sheet		
Long term financing	**63,073,948**	68,119,820
Trade and other payables	**112,849,878**	102,185,115
	175,923,826	170,304,935

28 *FINANCIAL RISK MANAGEMENT*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counterparties are engaged in similar business activities, or have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single customer.

The Company is exposed to credit risk from its operating activities primarily for trade debts and balances / deposits with banks. The carrying amount of financial assets represents the maximum credit exposure.

Trade debts

The trade debts at year end are due from local customers against local sales. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The Company establishes an allowance for impairment that represents its estimate of incurred losses for overdue balances based on analysis of each customer.

Balances with banks

The Company deposits its fund with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated as follows:

Name of the Bank	Credit Rating		
	Short term	Long term	Rating agency
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	VIS
Dubai Islamic Bank Pakistan Limited	A1+	AA	VIS
Bank Al-Habib Limited	A1+	AAA	PACRA
United Bank Limited	A1+	AAA	VIS

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and availability of financing through banking arrangements. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting

	Carrying amount	Contractual Maturity	Maturity up to one year	Maturity after one year
December 31, 2021	<----------Rupees---------->			
Long term financing	63,073,948	63,073,948	10,091,744	52,982,204
Trade and other payables	112,849,878	112,849,878	112,849,878	-
June 30, 2021				
Long term financing	68,119,820	68,119,820	10,091,744	58,028,076
Trade and other payables	102,185,115	102,185,115	102,185,115	-

Market risk

Market risk is the risk that changes in prices and interest rates will affect the Company's income.

The Company is exposed to interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term borrowings with floating interest rates.

	Carrying amount	
	Dec, 31 2021	*June, 30 2021*
	Rupees	*Rupees*
Variable rate instrument		
Financial liabilities		
- KIBOR based	**63,073,948**	68,119,820

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit after tax by Rs. 0.63 million (2021: Rs. 0.68 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). As at December 31, 2021, there are no financial assets and liabilities exposed to

Fair value of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value hierarchy

The Company has adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company has no items to report in this level.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any investment in any of the category.

29 *CAPITAL RISK MANAGEMENT*

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.

- The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shows in the balance sheet) less cash and bank balances. Adjusted capital comprises of net debts and all components of equity (i.e. share capital and unappropriated profit).

The Company's strategy is to maintain its debt-to-adjusted capital ratio up to 10%. The debt-to-adjusted capital ratios at December 31, 2021 and June 30, 2021 were as follows:

	Dec, 31 2021	*June, 30 2021*
	Rupees	***Rupees***
Total debts	**63,073,948**	68,119,820
Total equity	**1,292,471,985**	1,231,138,215
Adjusted capital	**1,355,545,933**	1,299,258,035
Debt-to-adjusted capital ratio %	**4.65%**	5.24%

The Company's liquidity improved during the period/year, therefore no further debts were obtained.

30 *PLANT CAPACITY AND PRODUCTION*

	Dec, 31 2021	*June, 30 2021*
	------ **Kilowatt-hour** ------	
Generation capacity:		
Unit 1	**27.74**	27.74
Unit 2	**233.40**	233.40
Actual production:		
Unit 1	**11.43**	23.27
Unit 2	**0.24**	0.54

The under utilization of generation capacity is due to high price of furnace oil and lack of demand by spinning and weaving unit because they have their own power generation plant on gas. High prices of furnace oil increase cost of production of electricity. Management compare the cost of production and decides which source provide less costly electricity to the weaving and spinning units.

31 *IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS*

There is no financial impact of COVID-19 on the carrying amount of the assets and liabilities or items of income and expenses, as required under relevant accounting and reporting standards.

The management has evaluated and concluded that there is no material implications of COVID 19 that require specific disclosure in the financial statements.

32 *DATE OF AUTHORISATION FOR ISSUE*

These financial statements were authorized for issue on April 05, 2022 by the Board of Directors of the company.

33 *GENERAL*

-The statement of profit or loss and other comprehensive income , statement of cash flows and statement of changes in equity for the period from July 01, 2021 to December 31, 2021 (i.e. six months) does not represents the full year of operation, therefore the comparatives are not comparable.

-Figures have been rounded off to the nearest rupees.

CHIEF EXECUTIVE OFFICER *DIRECTOR* *CHIEF FINANCIAL OFFICER*

Annexure 2

BHANERO ENERGY LIMITED-
UNIT 01, KOTRI

Special purpose statement of assets and
contingent liability of undertaking
As at December 31, 2021

A. D. Akhawala & Co.
Chartered Accountants
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Karachi 74000,
Pakistan.

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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF BHANERO ENERGY LIMITED

We have audited the accompanying Special Purpose Statement of Assets and Contingent Liability of **BHANERO ENERGY LIMITED** as at December 31, 2021, together with the notes thereon (here-in-after referred as Special Purpose Statement of Assets and Contingent Liability of Undertaking or the Statement).

Management's Responsibility for the Special Purpose Statement of Asset and Contingent Liability of Undertaking

Management is responsible for the preparation and presentation of the Statement in accordance with the basis of preparation mentioned in note 2 to the statement, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement are prepared, in all material respects, in accordance with the basis of preparation mentioned in note 2 to the Statement.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to notes 1.2 and 1.3 to the Statement which describes the basis of accounting and the fact that the undertaking is not operated as separate entities.

Adaco

The statement has been prepared for assets along with the associated contingent liability in connection with the envisaged Scheme of Arrangement between Bhanero Textile Mills Limited and Bhanero Energy Limited and their respective members. As a result, the statement and our report thereon may not be suitable for another purpose. Our report is intended solely for the use of the Board of Directors of Bhanero Energy Limited in connection with the Envisaged Scheme and should not be used by parties other than the Board of Directors of Bhanero Energy Limited

The Statement does not comprise a full set of financial statements prepared according to the approved accounting standards as applicable in Pakistan.

A. D. Akhawala & Co.
Chartered Accountants
Name of the Engagement Partner: Abdullah Dawood Akhawala
Karachi, Dated: April 05, 2022

BHANERO ENERGY LIMITED- UNIT 01, KOTRI
SPECIAL PURPOSE STATEMENT OF ASSETS AND CONTINGENT LIABILITY OF UNDERTAKING
AS AT DECEMBER 31, 2021

	Note	*Rupees*
NON-CURRENT ASSETS		
Property, plant and equipment	3	**94,574,242**
CURRENT ASSETS		
Stores and spares	4	**14,433,859**
TOTAL ASSETS		**109,008,101**
CONTINGENT LIABILITY	5	

The annexed notes form an integral part of these Special Purpose Statement of Assets and Contingent Liability of Undertaking.

CHIEF EXECUTIVE OFFICER *DIRECTOR*

BHANERO ENERGY LIMITED-UNIT 01, KOTRI
NOTES TO THE SPECIAL PURPOSE STATEMENT OF ASSETS AND CONTINGENT LIABILITY OF UNDERTAKING
AS AT DECEMBER 31,2021

1 INTRODUCTION

1.1 Bhanero Energy Limited (the "Company") was incorporated as a Public Limited Company on January 02, 1994 under the Companies Ordinance, 1984. The principal activity of the Company is to generate and supply electric power. The registered office of the Company is situated at Umer House 23/1, Sector 23, S.M Farooq Road, Korangi Industrial area, Karachi. The captive power plants, Bhanero Energy Limited Unit-01, is located at Kotri in the province of Sindh and supply electricity exclusively to Bhanero Textile Mills Limited, Kotri.

1.2 Bhanero Textiles Mills Limited (BTML) will acquire unit 1, Kotri of Bhanero Energy Limited, comprising primarily of the power generation facility of Bhanero Energy Limited at Kotri, in the province of Sindh along with the gas connection and the claims and ongoing proceedings in respect of gas infrastructure cess, (BEL Unit 1) through a scheme of arrangement, subject to obtaining necessary corporate and regulatory approvals, and the sanction of the scheme of arrangement by the Honorable High Court of Sindh. In consideration, BTML will allot and issue the shareholders of Bhanero Energy Limited shares in BTML in proportion to their respective shareholding in BEL, and the number of shares to be allotted will be calculated on the basis of the book value of the BEL Unit 1 as per these special purpose Statement of Asset and Contingent Liability of the Undertaking- Bhanero Energy Limited- Unit 01.

1.3 The Special Purpose Statement of Assets and Contingent Liability of the Undertaking- Bhanero Energy Limited-Unit 01, Kotri (herein after referred as "the Statement") have been prepared for determining the assets along with the associated contingent liability in connection with the envisaged scheme of arrangement between Bhanero Textile Mills Limited and Bhanero Energy Limited and their respective members (the Envisaged Scheme).

2 BASIS OF PREPARATION

2.1 The Statement has been prepared in accordance with the approved accounting standards as applicable in Pakistan in so far as they relate to the recognition and measurement criteria but without incorporating the corresponding figures and disclosures and using the same accounting policies as were used for the preparation of the latest audited financial statements of the Company for the period from July 01, 2021 to December 31, 2021.

2.1.1 The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 The Envisaged Scheme, where assets and associated contingent liability have been determined on the basis of their book value as per the audited financial statements as at December 31, 2021.

2.1.3 The Statement do not comprise of full set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan

3 PROPERTY, PLANT AND EQUIPMENT

	As at December 31, 2021		
	Cost	*Accumulated depreciation*	*Net book value*
	<----------Rupees---------->		
Buildings on freehold land -factory	2,962,684	2,740,152	222,532
Plant and machinery	153,016,322	59,430,587	93,585,735
Electric installation and equipment	5,425,604	4,922,512	503,093
Furniture and fixtures	403,321	325,952	77,369
Gas fittings	2,047,457	1,861,944	185,513
	163,855,388	**69,281,147**	**94,574,242**

4 *STORES AND SPARES*

	Rupees
Stores and spares	14,433,859

4.1 It includes slow moving items of stores and spares amounting to Rs. 5,133,853

5 *CONTINGENT LIABILITY*

The ongoing cases, proceedings and claims in relation to BEL Unit I for GIDC will be transferred to BTML. These will include the suits and appeals pending before the Sindh High Court to which BEL is or becomes a party including High Court Appeal No. 211 of 2017 and High Court Appeal No. 101 of 2020, and Suit No. 1848 of 2021 and Suit No. 1339 of 2020.

The Supreme Court of Pakistan in its judgment dated 13 August 2020 passed in civil appeal no. 3113/2017 etc. had directed the federal government to commence work on the laying of the North-South pipeline within 6 months such that in case no work is carried out on North-South pipeline within the prescribed time and for laying any of the two other major pipelines though the political conditions become conducive, the purpose of levying cess shall be deemed to have been frustrated and the GIDC Act, 2015, would become permanently in operational and considered dead for all intents and purposes. The Supreme Court had additionally stated that all industrial and commercial entities consume gas for their business activities and pass on the burden of the same to the consumers, and that recoveries in respect of the cess shall be made, if not recovered so far, from the consumers of the companies responsible to pay cess under the GIDC Act, 2015.

In suit no. 1848 of 2021, BEL has, inter alia, sought a declaration that due to non-compliance with the decision of the Supreme Court of Pakistan as aforesaid, the Gas Infrastructure Cess Act, 2015, and the demands raised thereunder have become in-operational and dead for all intents and purposes on the expiry of the 6 month period.

In Suit No. 1339 of 2020, it was contested by BEL that it is a gas consumer and that arrears of the gas infrastructure development cess mentioned in the bill issued to BEL are illegal and that BEL is not liable to pay installments of gas infrastructure development cess arrears to the SSGC as it has not passed on the incidence of the cess onwards to its consumers/clients. A stay order was granted by the Sindh High Court on 29 September 2020 in terms of which the defendants were restrained from taking any coercive action against BEL in relation to non-payment of gas infrastructure development cess arrears and from disconnecting the gas connection of BEL.

Under the Scheme BEL will agree to unconditionally and fully secure and indemnify BTML on BTML's first written demand against any liability incurred by BTML in connection with the cases, proceedings or claims etc. relating to gas infrastructure cess. BEL will also provide an open ended corporate guarantee as security for the said obligation.

6 *DATE OF AUTHORISATION*

The Statement has been approved by the Board of Directors of the Company on April 05, 2022.

CHIEF EXECUTIVE OFFICER

DIRECTOR

BHANERO ENERGY LIMITED
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION OF UNDERTAKING
AS AT DECEMBER 31, 2021

	BEL Unit 01 (Kotri) (Undertaking)	*BEL Unit 02(Sheikhupura) (Retained Undertaking)*	*Total*
	Rupees	*Rupees*	*Rupees*
NON-CURRENT ASSETS			
Property, plant and equipment	94,574,242	597,295,924	**691,870,166**
Investment property	-	465,526,032	**465,526,032**
Long term deposits	-	2,484,127	**2,484,127**
	94,574,242	1,065,306,083	**1,159,880,325**
CURRENT ASSETS			
Stores, spares and loose tools	14,433,859	165,028,566	**179,462,425**
Loan, advances other receivables and prepayments	-	3,303,958	**3,303,958**
Other financial assets	-	3,300,000	**3,300,000**
Sales tax refundable	-	13,682,547	**13,682,547**
Trade debt	-	98,402,756	**98,402,756**
Income tax refundable	-	15,973,371	**15,973,371**
Bank balances -in current accounts	-	345,620,705	**345,620,705**
	14,433,859	645,311,904	**659,745,763**
TOTAL ASSETS	109,008,101	1,710,617,987	**1,819,626,088**
SHARE CAPITAL AND RESERVES			
Share capital	-	24,636,500	**24,636,500**
Capital reserve	-	60,340,000	**60,340,000**
Unappropriated profit	-	1,207,495,485	**1,207,495,485**
	-	1,292,471,985	**1,292,471,985**
NON-CURRENT LIABILITIES			
Long term financing	-	52,982,204	**52,982,204**
Deferred liability	-	350,820,902	**350,820,902**
	-	403,803,106	**403,803,106**
CURRENT LIABILITIES			
Trade and other payables	-	112,849,878	**112,849,878**
Accrued interest/mark-up	-	409,375	**409,375**
Current portion of long term financing	-	10,091,744	**10,091,744**
	-	123,350,998	**123,350,998**
CONTINGENCIES AND COMMITMENT			
TOTAL EQUITY AND LIABILITIES	-	1,819,626,088	**1,819,626,088**

CHIEF EXECUTIVE OFFICER

DIRECTOR

A. D. Akhawala & Co.
Chartered Accountants
Abdullah Dawood Akhawala
Karachi, Dated: April 05, 2022

Annexure 3

BHANERO TEXTILE MILLS LTD

AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED

DECEMBER 31, 2021

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Independent auditor's report to the members of Bhanero Textile Mills Limited

Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the annexed special purpose financial statements of **Bhanero Textile Mills Limited**, which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period from July 01, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the period from July 01, 2021 to December 31, 2021.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Paragraph

We draw attention to note 2.2 of the special purpose financial statements which describes the basis of accounting. The financial statement has been prepared in pursuance of an arrangement between the shareholders of the Company and Bhenro Energy Limited Unit 1, as a result the financial statement and our report thereon may not be suitable for another purpose. Our report is solely for the use of the board of directors of the company and should not be used by the parties other than the board of directors. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion there on.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

Statement of Profit or Loss
For The Half Year Ended Dec 31, 2021

	Note	Dec 31, 2021 Rupees
Sales	27	7,723,854,042
Cost of sales	28	5,965,907,639
Gross profit		1,757,946,403
Other income	29	218,829,103
		1,976,775,506
Distribution cost	30	165,016,289
Administrative expenses	31	100,210,919
Other operating expenses	32	104,303,894
Finance cost	33	64,220,818
		433,751,920
Profit before tax		1,543,023,586
Taxation	34	108,338,814
Profit after taxation for the period		1,434,684,772
Earnings per share - basic and diluted	35	478.23

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Statement of Comprehensive Income
For The Half Year Ended Dec 31, 2021

	Half Year Ended
	Dec 31, 2021
	Rupees
Profit for the period after taxation	1,434,684,772
Other comprehensive income	-
Total comprehensive Income for the period	1,434,684,772

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Changes in Equity
For The Half Year Ended Dec 31, 2021

	Share capital	Revenue Reserves		Total
		General reserve	Unappropriated profits	
	Rupees			
Balance as at 1st July, 2021	**30,000,000**	**6,300,000,000**	**433,063,770**	**6,763,063,770**
Final dividend for the year ended June 30, 2021 at the rate of PKR 71.50 per share	-	-	**(214,500,000)**	**(214,500,000)**
Comprehensive income				
Profit after taxation	-	-	**1,434,684,772**	**1,434,684,772**
Other comprehensive income	-	-	-	-
	-	-	**1,434,684,772**	**1,434,684,772**
Balance as at Dec 31, 2021	**30,000,000**	**6,300,000,000**	**1,653,248,542**	**7,983,248,542**

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Cash Flows
For The Half Year Ended Dec 31, 2021

	Dec 31, 2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	1,543,023,586
Adjustments for:	
Depreciation on property, plant and equipment	131,980,000
Provision for staff retirement benefits - gratuity	37,080,000
Infrastructure fee - ETO	28,441,485
Infrastructure cess - Gas	-
Gain on disposal of property, plant and equipment	(188,385,561)
Finance cost	64,220,818
Operating cash flows before changes in working capital	1,616,360,328
Working capital changes	
(Increase) / decrease in current assets	
Inventories	(1,865,560,545)
Trade debts	(206,999,434)
Loans and advances	(33,446,968)
Trade deposits	(76,903,246)
Other receivables	(2,696,329)
Sales tax refundable	(235,302,383)
	(2,420,908,905)
Increase / (decrease) in trade and other payables	240,398,726
Cash generated by operations	(564,149,851)
Finance cost paid	(47,694,610)
Staff retirement benefits - gratuity paid	(14,098,284)
Income taxes paid	(76,398,344)
Long term deposits	(13,062,000)
	(151,253,238)
Net cash generated from / (used in) operating activities	(715,403,089)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property, plant and equipment	243,852,480
Additions in property, plant and equipment	(2,708,254,984)
Net cash (used in) / generated from investing activities	(2,464,402,504)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long term financing	(94,470,617)
Proceeds from long term financing	2,012,198,460
Short term borrowings - net	31,297,475
Dividend paid	(214,122,067)
Net cash (used in) / generated from financing activities	1,734,903,251
Net increase / (decrease) in cash and cash equivalents	(1,444,902,342)
Cash and cash equivalents at the beginning of the year	1,739,116,221
Cash and cash equivalents at the end of the period	294,213,879

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

Notes to the financial statements
For The Half Year Ended Dec 31, 2021

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 repealed Companies Ordinance, 1984 now the Companies Act, 2017 and is quoted on Pakistan Stock Exchanges Limited. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.

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

2 Basis of Preparation

2.1 Statement of compliance

These special purpose financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan in so far as they relate to the recognition and measurement criteria but without incorporating the correspondence figures and disclosures and using the same accounting policies as were used for the preparation of the latest audited financial statements of the Company for the year ended June 30, 2021. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These special purpose audited financial statements are prepared for the period from 1 July 2021 to 31 December 2021 for the purpose of scheme of arrangement proposed to merge Bhanero Energy Limited(BEL) Unit 1 with and into Bhanero Textile Mills Limited (BTML) through the said scheme of arrangement, the draft of which has been approved by the Board of Directors, to be entered into between BEL and BTML, subject to finalization of the scheme and fulfilment of necessary legal facilities. As a result, these special purpose financial statements may not be suitable for any other purpose. Our report is intended solely for the use of the Board of Directors in connection with the above mentioned purpose and should not be distributed to or used by parties other than the Board of Directors.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements , all transactions have been accounted for on accrual basis.

2.4 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 off to the nearest Rupee.

Notes to the financial statements
For The Half Year Ended Dec 31, 2021

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, 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 judgements 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.

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

3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

31-Dec-21		31-Dec-21 Rupees
1,762,500	Ordinary shares of PKR 10 each allotted for consideration - fully paid in cash	17,625,000
1,237,500	Ordinary shares of Rs 10. each allotted as bonus shares	12,375,000
3,000,000		30,000,000

3.1 Associated company holds 500,600 (2021: 500,600) ordinary shares of Rs. 10 each in the company.

3.2 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction. There is no movement in share capital during the Period.

4 RESERVES

General reserve - Revenue reserve	6,300,000,000
	6,300,000,000

5 Long term financing - secured

	Note	31-Dec-21 Rupees
Long term loans	5.1	2,666,565,469
Less: current maturity shown under current liabilities		(234,726,083)
		2,431,839,386

5.1

Lendor	31-12-21	Total Facility	Rate of Interest	Number of instalments	Interest payable	Security
	----------Rupees----------					
Long Term Loans						
Bank Al Habib	21,059,375	27.6M	SBP LTFF rate + 2.4%	32 equal quarterly installments commenced from February 2019 and ending on 20 January 2028	Quarterly	Hypothecation charge on plant and machinery of PKR 54 million of unit III located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura.
	17,504,000	17.5M	SBP LTFF rate + 3.5%	32 equal quarterly installments commenced from 22 July 2022 and ending on 22 April 2030	Quarterly	
	38,563,375					

Lendor	31-12-21	Total Facility	Rate of Interest	Number of instalments	Interest payable	Security
MCB Bank Limited	529,682,033	900M	SBP LTFF rate + 2.4%	32 equal quarterly installments commenced from 30 April 2019 and ending on 06 February 2030	Quarterly	Hypothecation charge on plant and machinery of PKR 1,351 million of unit II located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura.
	359,106,000	400M	SBP LTFF rate + 2.4%	32 equal quarterly installments commenced from 06 May 2022 and ending on 07 February 2030	Quarterly	
	47,467,526	65M	SBP LTFF rate + 2.4%	32 equal quarterly installments commenced from 19 February 2022 and ending on 13 November 2029	Quarterly	
	31,347,680	900M	DF 3M Kibor rate + 0.4%	32 equal quarterly installments commenced from 26 July 2019 and ending on 07 August 2027	Quarterly	
	967,603,239					
Bank Alfalah Limited	105,178,906	215.4M	SBP LTFF Payment of wages and salaries 0.75%	08 equal quarterly installments commenced from 01 January 2021 and ending on 01 October 2022	Quarterly	Ranking Charge over current assets of unit I located at Kotri, Sindh to the extent of PKR. 352 million.
Faysal Bank Limited	1,116,167,584	1600M	SBP TERF rate + 1.60%	32 equal quarterly installments commenced from 26 April 2023 and ending on 31 March 2031	Quarterly	Hypothecation charge over plant and machinery of PKR 2,267 million of unit III located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura.
	113,430,613	113M	SBP LTFF rate + 2.6%	32 equal quarterly installments commenced from 14 April 2024 and ending on 14 January 2031	Quarterly	
	1,229,598,197					
National Bank Limited	325,621,752	2700M	SBP TERF rate + 1.25%	32 equal quarterly installments commenced from 10 December 2023 and ending on 31 March 2032	Quarterly	Hypothecation charge over fixed assets of PKR 3,600 million of BTML
	2,666,565,469					

6 Long term payables	Note	31-Dec-21 Rupees
Infrastructure fee payable - ETO	6.1	161,993,443
Infrastructure cess payable - Gas	6.2	65,547,955
		227,541,398

6.1 Movement in net liability recognized in the statement of financial position

Balance at beginning of the year	133,551,958
Accrued for the period	37,986,053
Paid during the period	(9,544,568)
Balance at the end of the period/year	161,993,443

Sindh Infrastructure Cess was levied by Excise and Taxation Officer ['ETO'] Government of Sindh on movement of imported goods entering the Sindh Province from outside Pakistan and Punjab Infrastructure Tax levied by ETO Government of Punjab on movement of imported goods entering the Punjab Province from outside Pakistan. The Company filed petitions in Sindh High Court and Lahore High Court against the levy. Sindh High Court decided the case against the Company and directed to pay the outstanding amount to Excise and Taxation Department. The Company has filed petitions vide civil appeal 853,849,957 of 2021 in Supreme Court of Pakistan end and obtained stay on the recovery of these levies. During the pendency of final judgement on this, the Honorable Courts granting stay have directed the petitioners to arrange bank guarantees for the outstanding amount in favour of ETO. The company has provided bank guarantees amounting to 31 Dec, 2021 PKR 168.895 Million in respect of unpaid infrastructure fee.

6.2 Movement in liability recognized in the statement of financial position

	Note	31-Dec-21 Rupees
Balance at beginning of the year		65,547,955
Accrued for the period		-
Paid during the period		-
Balance at the end of the period/year		65,547,955

The Company vide petition 1234/2021 filed before the High Court of Sindh challenged the recovery of GIDC installments. The High Court of Sindh vide its order dated 22 November 2020 has suspended the recovery of GIDC installments. No further date is fixed for hearing. Further, the Company vide petition 1848/2021 dated 30 August 2021 filed before the High Court of Sindh challenged the levy of GIDC on the ground of the Government's failure to comply with the Supreme Court's judgment dated 13 August 2020 in relation to commencement of work on specified projects.

7 Staff retirement benefits		31-Dec-21 Rupees
Staff retirement benefits - gratuity	7.1	204,843,286
		204,843,286

7.1 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		181,861,570
Charged to profit and loss account and comprehensive income	7.2	37,080,000
Benefits paid during the period		(14,098,284)
Present value of defined benefits obligation - at the end of the period/year		204,843,286

7.2 Amount charged to profit and loss account / other comprehensive income

Current service cost	27,986,922
Interest cost	9,093,079
Remeasurement charged to other comprehensive income	-
	37,080,000

7.3 The company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. Actuarial valuation has been carried out by independent valuer as at June 30, 2021 using the projected unit credit method assuming a discount rate of 10% per annum and expected rate of increase in salaries at 9% per annum.

7.4 There is no unrecognized actuarial loss / gain.

7.5 Historical information

	2021 Rupees
Present value of defined benefits obligation	181,861,570
Experience adjustments on plan liabilities	8,712,867

7.6 **Sensitivity analysis of actuarial assumptions**

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

	Increase in assumption	Decrease in assumption
Discount rate	(8,864,105)	9,983,021
Expected rate of increase in future salary	9,983,021	(9,019,001)

7.7 The expected gratuity expense comprising of service cost and net interest for the period ending 30th June 2022 works out to PKR 37,080,000 million.

7.8 The average duration of defined benefit obligation is 6 years.

		31-Dec-21 Rupees
Deferred Taxation		
Deferred tax liability on taxable temporary differences	8.1	208,559,946
Deferred tax asset on deductible temporary differences		(43,273,052)
		165,286,894

8.1 **Deferred taxation**

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

	30 Dec, 2021			
	As at July 01 2020	Recognized in profit and loss	Recognized in other comprehensive income	As at June 30 ,2021
Taxable temporary differences				
Accelerated tax depreciation on owned assets	225,786,408	(17,226,462)	-	208,559,946
	225,786,408	-	-	208,559,946
Deductible temporary differences				
Provision for employee benefit	(40,709,894)	9,373,977	-	(31,335,917)
Provision for doubtful debts and advances	(19,789,620)	7,852,485	-	(11,937,135)
	(60,499,514)	17,226,462	-	(43,273,052)
	165,286,894	165,286,894	-	165,286,894

Accelerated tax depreciation on owned assets	208,559,946
Deductible temporary differences	
Provision for employee benefit	(31,335,917)
Finance lease	-
Provision for doubtful debts and advances	(11,937,135)
	(43,273,052)
	165,286,894

8.1.1 **Deferred taxation has been recognized as follows**

Recognized through OCI	-
	-

8.1.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 29% of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

		31-Dec-21
Deferred Government grant		Rupees
Deferred Government grant	9.1	482,031,299
		482,031,299

9.1 **Deferred Revenue - Govt Grant**

Balance at beginning of year	35,149,787
During the period	550,799,920
Amortization during the period	(20,299,757)
	565,649,950
Less: current portion	(83,618,651)
Balance at the end of the period/year	482,031,299

9.1.1 The Company obtained term loan / SBP COVID-19 relief facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 215.408 million, for paying salaries for the months from April 2020 to September 2020. The loan is repayable in eight equal quarterly installments, starting from January 2021. This long term financing facility is secured by way of hypothecation charge over current assets of the Company. The facility carries mark-up at State Bank of Pakistan (SBP) rate (currently 0%) plus bank's spread of 0.75% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

9.1.2 The Company entered into long-term loan agreement with Faysal Bank Limited amounting to PKR 102.333 million (June 2021: 102.33) million under "SBP Temporary Economic Refinance Facility" for additions of new plant & machinery. The facility carries mark-up at State Bank of Pakistan (SBP) rate 1% plus bank's spread of 0.60% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per selected opinion issued in November 2020 by the Institute of Chartered Accountants of Pakistan.

9.1.3 The company obtained different long-term facilities during the period under the Temporary Economic Refinance Facility (TERF) of the State Bank of Pakistan from two commercial banks. The loans are repayable in quarterly installments over a period of ten years which include a grace period of two years and are secured by way of hypothecation charge over specific plant and machinery of the Company. The facility carries markup ranging from 1.60% to 2.25%. The loans have been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per selected opinion issued in November 2020 by the Institute of Chartered Accountants of Pakistan.

TRADE AND OTHER PAYABLES	Note	31-Dec-21 Rupees
Creditors	10.1	573,043,478
Advance from customers & others	10.2	21,206,507
Accrued liabilities		275,456,108
Workers' Profit Participation Fund	10.3	74,108,523
Workers Welfare Fund		143,890,378
Others		14,644,044
		1,102,349,038

10.1 These include amounts due to following related party in the normal course of business.

Name of Company	Relationship	
Bhanero Energy Limited	Associated Company	98,402,756

10.2 Advance received from customer is recognised as revenue when the performance obligation in accordance with the policy is satisfied. Revenue for an amount of Rs.8,552,740 has been recognised in current period in respect of advances from customers at the beginning of period.

10.3 Workers' profit participation fund	Note	31-Dec-21 Rupees
Opening balance		116,211,377
Interest on funds utilized in the Company's business	10.3.1	9,926,534
		126,137,911
Paid to the fund		(125,472,810)
		665,101
Allocation for the period	32	73,443,422
		74,108,523

10.3.1 Interest on workers' profit participation fund has been provided @ 536.25% per annum.

11 UNCLAIMED DIVIDEND

Unclaimed dividend	1,720,632

12 ACCRUED MARKUP / INTEREST

Mark-up accrued on secured:	
- long term financing	21,539,187
- short term borrowings	1,822,204
	23,361,391

12.1 During the period company has capitalized the markup of Rs. Nil.

13 SHORT TERM BORROWINGS - SECURED

From banking companies		
Short term loans / Running finance	13.2	31,297,475
		31,297,475

13.1 The aggregate approved short term borrowing facilities amounting to PKR 8.94 billion.

13.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spreads between 0.1% to 2% per annum payable quarterly. These are secured against hypothecation charge on current assets of the Company.

14 CURRENT PORTION OF LONG TERM BORROWINGS	**Note**	**31-Dec-21 Rupees**
Long-term financing	5	234,726,083
Deferred govt. grant	9.1	83,618,651
		318,344,734

15 CONTINGENCIES AND COMMITMENTS

15.1 *Contingencies*

15.1.1 The Company has issued post dated cheques amounting to PKR 801,158,230 (2021: PKR 688,661,450) in favour of Collector of Customs in lieu of custom levies against various statutory notifications. The post dated cheques furnished by the company are likely to be released after the fulfilment of term of related SROs.

15.1.2 Bank guarantee issued to Sui Northern Gas Pipeline Company Limited amounting to PKR 242.82 Million and Pakistan State Oil PKR 2.25 million.

15.1.3 In addition to above mentioned guarantees there are guarantees which are disclosed in note (8.1) .

15.1.4 The Company vide petition ICA 239111 of 2018 filed before the High Court of Lahore challenged the recovery of Cotton Cess against the judgment passed in writ petition No. 311009 of 2016 and writ petition No. 214708 of 2018 respectively. Presently the recovery of cess has been stayed by the High Court of Lahore. No further date is fixed for hearing.

15.1.5	Bills discounted	481,946,001

15.2 *Commitments*

15.2.1	Letter of credit (for store, raw material and fixed assets)	5,050,583,654
15.2.2	Commitments for capital expenditure	560,430,450

15.2.3 The Company has entered into Ijarah arrangements for vehicles with Meezan Bank Limited. These arrangements have been made for the period of five years. Such arrangements carry Bench Mark Rate of 0.5% per annum over the 3 Month KIBOR. The rate would be fixed for the first three months on the last working day before the first disbursement date and subsequently on each last working day immediately preceding the beginning of next three months. Lease rentals shall be revised in accordance with the change in KIBOR to appropriately reflect the Bench Mark. Future Ijarah payments due under these arrangements at the period end are as follows:

Not later than one year	28,486,146
Later than one year & not later than five years	110,497,204
Later than five years	132,161
	139,115,511

auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Zahid Hussain Zahid, FCA.**

MUSHTAQ & CO
Chartered accountants

MUSHTAQ & COMPANY KARACHI Chartered Accountants

KARACHI
Date: 18th April, 2022
UDIN: AR202110043b3rWRY5pt

Bhanero Textile Mills Limited

Statement of Financial Position
As at Dec 31, 2021

	Note	Dec 31, 2021 Rupees
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized capital		
6,000,000 (2021: 6,000,000) ordinary shares of Rs.10 each		60,000,000
Issued, subscribed and paid up capital	3	30,000,000
Reserves	4	6,300,000,000
Unappropriated profit		1,653,248,542
		7,983,248,542
NON CURRENT LIABILITIES		
Long term financing - secured	5	2,431,839,386
Long term payables	6	227,541,398
Staff retirement benefits	7	204,843,286
Deferred taxation	8	165,286,894
Deferred government grant	9	482,031,299
		3,511,542,263
CURRENT LIABILITIES		
Trade and other payables	10	1,102,349,038
Unclaimed dividend	11	1,720,632
Accrued markup / interest	12	23,361,391
Short term borrowings - secured	13	31,297,475
Current portion of long term financing	14	318,344,734
Provision for taxation - net		26,543,457
		1,503,616,727
CONTINGENCIES AND COMMITMENTS	*15*	
TOTAL EQUITY AND LIABILITIES		12,998,407,532

	Note	Dec 31, 2021 Rupees
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	16	2,742,204,376
Capital work in progress	17	2,871,671,694
Long term deposit	18	41,621,816
		5,655,497,886
CURRENT ASSETS		
Stores, spares and loose tools	19	107,424,697
Stock in trade	20	4,525,320,782
Trade debts	21	1,835,119,346
Loans and advances	22	59,323,393
Trade deposits and prepayments	23	214,069,936
Other receivables	24	8,930,556
Income tax refundable		-
Sales tax refundable	25	298,507,057
Bank balances	26	294,213,879
		7,342,909,646
TOTAL ASSETS		12,998,407,532

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at Dec 31, 2021	Rate
	As at July 01, 2021	Additions / (disposals)	Transfers	As at Dec 31, 2021	As at July 01, 2021	For the Period	Transfers / (disposal)	As at Dec 31, 2021		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-		-	433,414	-
Freehold land	660,724,005	1,434,000	-	662,158,005	-	-		-	662,158,005	-
Building on leasehold land	174,351,730	-	-	174,351,730	120,239,643	2,748,571	-	122,988,214	51,363,516	10%
Building on freehold land	473,447,260	-	-	473,447,260	290,751,909	9,134,768	-	299,886,677	173,560,583	10%
Office premises on leasehold land	29,894,675	-	-	29,894,675	18,853,937	278,398	-	19,132,335	10,762,340	5%
Office premises on freehold land	112,306,388	-	-	112,306,388	49,336,066	1,574,258	-	50,910,324	61,396,064	5%
Plant and machinery	4,287,400,716	-	-	3,994,605,530	2,480,566,504	99,249,757	-	2,342,123,442	1,652,482,088	10%
	-	(292,795,186)	-	-	-	-	(237,692,819)	-	-	
Equipments and other assets	157,436,448	-	-	157,436,448	127,077,475	8,124,853	-	135,202,328	22,234,120	Three years
Electric Installation	78,506,475	-	-	78,506,475	44,173,389	1,679,752	-	45,853,141	32,653,334	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	5,721,997	72,914	-	5,794,911	1,385,378	10%
Cooling towers	5,223,570	-	-	5,223,570	4,126,388	54,859	-	4,181,247	1,042,323	10%
Ventilation system	2,094,912	-	-	2,094,912	1,271,516	41,170	-	1,312,686	782,226	10%
Boiler	24,032,925	-	-	24,032,925	15,457,966	428,748	-	15,886,714	8,146,211	10%
Factory equipments	5,650,258	-	-	5,650,258	5,072,197	26,522	-	5,098,719	551,539	10%
Furniture and fixtures - Factory	6,458,676	-	-	6,458,676	5,020,480	71,910	-	5,092,390	1,366,286	10%
Office equipments	29,257,136	-	-	29,257,136	21,001,461	412,784	-	21,414,245	7,842,891	10%
Furniture and fixtures - Office	2,657,972	-	-	2,657,972	1,349,373	65,430	-	1,414,803	1,243,169	10%
Vehicles	119,185,984	16,256,945	-	131,542,836	74,262,182	8,015,306	-	78,741,947	52,800,889	20%
	-	(3,900,093)	-	-	-	-	(3,535,541)	-	-	
Dec 31, 2021	6,176,242,833	17,690,945	-	5,897,238,499	3,264,282,483	131,980,000		3,155,034,123	2,742,204,376	
	-	(296,695,279)	-	-	-	-	(241,228,360)	-	-	

16.1 Equipment and other assets includes assets amounting to PKR 15,710,241 which has been fully depreciated.

16.2 The depreciation charge for the period/year has been allocated as follows:

		Dec 31, 2021 Rupees
Cost of sales	28	123,480,000
Administrative expenses	31	8,500,000
		131,980,000

16.3 Freehold lands of the Company are located at Feroze Wattoan Sheikhupura with an area of 880 kanal 8 marla, at Gajumata Kasur 48 Kanal and Leasehold land are located at Kotri with an area of 104 Kanal .

16.4 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Cost	Accumulated depreciation	Written down value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
	Year Ended Dec 31, 2021						
	Rupees						
Machinery							
Picanol looms OMP-800 340 CM used	15,383,583	12,449,665	2,933,918	12,446,084	9,512,166	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	22,973,004	18,593,213	4,379,791	18,774,382	14,394,591	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	23,170,068	18,749,565	4,420,503	18,830,888	14,410,385	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	30,764,606	24,946,981	5,817,625	25,196,459	19,378,834	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	30,628,514	24,838,364	5,790,150	25,291,034	19,500,884	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	46,324,771	37,636,494	8,688,277	38,006,083	29,317,806	Negotiation	DeiraTrading Centre LLC . W.H No 6 Safetex, Paniwala Road AD IND Area
Picanol looms OMP-800 340 CM used	61,713,473	50,140,048	11,573,425	51,632,350	40,058,925	Negotiation	Green Forest General Trading , FZC,,BC 1301523 Ajman Free Zone, Ajman UAE
Picanol looms OMP-800 340 CM used	61,837,167	50,338,489	11,498,678	52,525,200	41,026,522	Negotiation	Green Forest General Trading , FZC,,BC 1301523 Ajman Free Zone, Ajman UAE
	292,795,186	**237,692,819**	**55,102,367**	**242,702,480**	**187,600,113**		
Vehicles							
Vehicle LEC-11-2061	941,900	842,450	99,450	300,000	200,550	Negotiation	H.No 68-B Railway Officer Colony Walton Lahore Cantt
Vehicle LEA-10-6259	1,443,630	1,335,744	107,886	350,000	242,114	Negotiation	Muhammad Altaf, H No 68-B Railway Officer Colony, Walton, Lahore CNIC#35201-5100624-1
Vehicle LEA-07-7637	627,250	602,360	24,890	200,000	175,110	Negotiation	Ahmed Ali Tahir, H No.442/B-VII,Church Raod, Sahiwal CNIC # 36502-6283126-5
VehicleLEC-12-6268	887,313	754,987	132,326	300,000	167,674	Negotiation	Muhammad Altaf, H No 68-B Railway Officer Colony, Walton, Lahore CNIC#35201-5100624-1
	3,900,093	**3,535,541**	**364,552**	**1,150,000**	**785,448**		
31-Dec-21	**296,695,279**	**241,228,360**	**55,466,919**	**243,852,480**	**188,385,561**		

17 CAPITAL WORK IN PROGRESS

	31-Dec-21			
	As at July 01, 2021	Additions	Transfers	As at Dec 31, 2021
	PKR	PKR	PKR	PKR
Land and building	73,051,623	436,010,342	-	509,061,965
Plant and machinery	107,474,275	2,246,996,119	-	2,354,470,394
Equipment and other assets	-	7,007,918	-	7,007,918
Trial run expenses	-	1,131,417	-	1,131,417
	180,525,898	2,691,145,796	-	2,871,671,694

18 LONG TERM DEPOSITS

	Note	31-Dec-21 Rupees
Lease liability		13,053,000
Electricity		28,107,540
Telephone		33,600
Others	18.1	427,676
		41,621,816

18.1 It includes security deposit amounting to Rs. 20,000 given to Admiral (Private) Limited, an associated company, against rent of building.

19 STORES, SPARES AND LOOSE TOOLS

	31-Dec-21 Rupees
Stores and spares	95,369,512
Packing material	12,055,185
	107,424,697

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

20 STOCK IN TRADE

	31-Dec-21 Rupees
Raw material	2,978,044,989
Work in process	259,428,187
Finished goods	800,595,088
Waste	2,485,062
	4,525,320,782

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

21 TRADE DEBTS

	Note	31-Dec-21 Rupees
Foreign - secured against letter of credit		350,334,354
Local - unsecured - considered good		1,484,784,992
Local - unsecured - considered doubtful		73,181,227
		1,908,300,573
Allowance for ECL on trade debts	21.1	(73,181,227)
		1,835,119,346

21.1 Particulars of allowance for ECL on trade debts

Balance at beginning of the year		83,553,311
Charge during the period	32	-
Allowance no longer required / recovered		(10,372,084)
Balance at the end of the period/year		73,181,227

22 LOANS AND ADVANCES

Advances to :		
Suppliers - Unsecured (considered good)		52,887,817
Employees - Secured (considered good)		5,511,979
Employees - Un-secured (considered doubtful)		1,165,000
L/C in transit		923,597
		60,488,393
Provision for doubtful advances	22.1	(1,165,000)
		59,323,393

	Note	31-Dec-21 Rupees
22.1 Provision for doubtful advances		
Balance at beginning of the year		1,165,000
Charge during the period		-
Provision no longer required/ recovered		-
Balance at the end of the period/year		1,165,000
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Deposits against infrastructure fees	23.1	184,444,861
Prepaid expenses		23,232,125
Margin against letter of credit		6,392,950
		214,069,936

23.1 Effective mark up rate on these deposits range from 5.5% to 8.25% per annum.

	Note	31-Dec-21 Rupees
24 OTHER RECEIVABLES - UNSECURED		
KMC refundable - Considered doubtful		680,624
Other receivables - Considered good		8,930,556
		9,611,180
Provision for doubtful receivables		(680,624)
		8,930,556
25 SALES TAX REFUNDABLE		
Sales tax and federal excise duty refundable		298,507,057
Federal excise duty and 1% Special excise duty refundable - considered doubtful		3,006,390
Provision for non refundable		(3,006,390)
		-
		298,507,057
26 BANK BALANCES		
Balances with banks on:		
Current accounts		290,817,604
Foreign currency account - current		2,838,112
		294,213,879

	31-Dec-21 Rupees
27 SALES - NET	
Export	
Yarn	732,802,526
Fabric	752,775,738
	1,485,578,264
Export Rebate	101,789
	1,485,680,053
Local	
Yarn	5,191,251,276
Fabric	2,015,010,482
Cotton and polyester	297,797
Scrap	4,350,764
Waste and others	88,468,255
	7,299,378,574
	8,785,058,627
Discount	(69,763)
Sales tax	(1,061,134,822)
	(1,061,204,585)
	7,723,854,042

27.1 Export sales includes exchange gain of PKR 39.85 million.

	Note	31-Dec-21 Rupees
28 COST OF SALES		
Raw material consumed	28.1	5,035,245,933
Packing material consumed		54,584,326
Stores, spares and loose tools		105,204,415
Salaries, wages and benefits	28.2	439,994,177
Fees and subscription		710,699
Fuel, power and water		622,973,655
Insurance		16,816,465
Vehicle running and maintenance		5,839,779
Rent, rate and taxes		549,290
Repairs and maintenance		16,500,804
Communication		474,834
Traveling and conveyance		1,297,761
Depreciation	16.2	123,480,000
Others		1,617,761
		6,425,289,899
Work in process		
Opening stock		185,829,049
Closing stock		(259,428,187)
		(73,599,138)
Cost of goods manufactured		6,351,690,761
Cost of raw material sold	28.3	254,527
Finished stocks		
Opening stock		416,172,599
Finished goods purchases		869,902
Closing stock		(803,080,150)
		(386,037,649)
		5,965,907,639

	Note	31-Dec-21 Rupees
28.1 Raw material consumed		
Opening stock		2,057,407,190
Purchases - net		6,441,266,562
		8,498,673,752
Cost of raw material sold		(869,901)
Closing stock		(3,462,812,445)
		5,035,245,933

28.2 Salaries, wages and benefits includes employees benefits amounting to PKR 30,600,000.

28.3 Cost of cotton sold		
Cost of purchases		254,527
Direct expenses		-
		254,527

29 OTHER INCOME		
Income from financial assets		
Interest income		19,767,547
Gain on Sale of Investment		
Exchange gain		303,911
Reversal of provision for ECL & advance		10,372,084
		30,443,542
Income from other than financial assets		
Gain on disposal of property, plant and equipment	16.4	188,385,561
Rental income		-
		188,385,561
		218,829,103

30 DISTRIBUTION COST	Note	31-Dec-21 Rupees
Export		
Freight on export sales		70,531,671
Commission on export sales		24,132,751
Export development surcharge		3,454,296
Others		791,582
		98,910,300
Local		
Salaries and wages		1,273,152
Freight on local sales		7,936,110
Commission on local sales		56,104,168
Quality claim		-
Others		792,559
		66,105,989
		165,016,289

31 ADMINISTRATIVE EXPENSES		
Directors' remuneration	37	10,800,000
Staff salaries and benefits	31.1	49,656,755
Traveling, conveyance and entertainment		3,118,443
Printing and stationery		1,824,270
Communication		1,032,270
Vehicles running and maintenance		4,898,811
Legal and professional		2,041,725
Fee and subscription		4,713,859
Repair and maintenance		241,156
Depreciation	16.2	8,500,000
Rent, rates and utilities		1,113,427
Ijara lease rental		10,043,694
Others		2,226,509
		100,210,919

31.1 Salaries, wages and benefits includes employees benefits amounting to PKR 6,480,000.

32 OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund	10.3	73,443,422
Workers' Welfare Fund		30,860,472
Allowance for ECL on trade debts	21.1	-
		104,303,894

33 FINANCE COST	Note	31-Dec-21 Rupees
Mark-up on:		
- long-term financing		22,931,765
- short-term borrowings		2,408,423
- workers' profit participation fund	10.3	9,926,534
		35,266,722
Bank charges and commission		2,191,409
Letter of credits discounting		26,762,687
		64,220,818

34 PROVISION FOR TAXATION	Note	31-Dec-21 Rupees
Current		
- for the period	34.1	108,338,814
- for prior years		-
		108,338,814
Deferred - current period	8.1	-
		108,338,814

34.1 Provision for current tax for the period has been made in accordance with section 18 and section 154 of the Income Tax Ordinance 2001. Income tax assessment of company has been finalized upto tax year 2021.

	31-Dec-21
	Rupees
35 EARNINGS PER SHARE - BASIC AND DILUTED	478.23

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

Earnings

Earnings for the purpose of basic earnings per share (net profit after tax for the period)	1,434,684,772

Number of shares	31-Dec-21
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000

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

Basic earnings per share	Rupees	478.23

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

36 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require any adjustment or disclosure in this financial report.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive	Director	Executives
	2021	2021	2021
	Rupees	Rupees	Rupees
Remuneration	4,800,000	6,000,000	13,223,100
Perquisites	-	-	2.936.126
Post employment benefits	-	-	1,101,925
	4,800,000	6,000,000	17,261,151
Number of persons	1	1	10

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

37.2 No remuneration to non executive directors has been paid.

38 Segment Analysis

The segment information for the reportable segments for the period ended 31th Dec 2021 is as follows:

38.1 Operating Results

	Note	Spinning	Weaving	Total
		31-Dec-21	31-Dec-21	31-Dec-21
Sales				
Export sales		732,802,526	752,775,738	1,485,578,264
Local sales		5,278,485,599	2,020,892,975	7,299,378,574
Custom rebate		-	101,789	101,789
Inter-segment sales		230,375,865	-	230,375,865
		6,241,663,990	2,773,770,502	9,015,434,492
Discount and sales tax				
Regularity Duty		-	-	-
Discount		(69,763)	-	(69,763)
Sales tax		(767,380,681)	(293,754,141)	(1,061,134,822)
		(767,450,444)	(293,754,141)	(1,061,204,585)
Net sales		5,474,213,546	2,480,016,361	7,954,229,907
Cost of sales		4,098,597,005	2,097,686,499	6,196,283,504
Gross profit		1,375,616,541	382,329,862	1,757,946,403
Other operating income/(expense)		21,708,338	197,120,765	218,829,103
		1,397,324,879	579,450,627	1,976,775,506
Distribution cost		114,458,786	50,557,503	165,016,289
Administrative cost		81,500,681	18,710,238	100,210,919
		195,959,467	69,267,741	265,227,208
Operating result		1,201,365,412	510,182,886	1,711,548,298

		31-Dec-21	31-Dec-21	31-Dec-21
38.2	**Segment assets**	8,519,586,879	3,924,621,844	12,444,208,723
	Unallocated assets			554,198,809
				12,998,407,532
38.3	**Segment liabilities**	2,179,009,141	2,507,148,880	4,686,158,021
	Unallocated liabilities			329,000,969
				5,015,158,990

38.4 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

There were no major customer of company which formed 10 percent or more of the company's revenue.

38.5 Geographic Information

The geographic information analyses the entity's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based

	31-Dec-21 Rupees
Bangladesh	174,431,752
Germany	75,006,064
Italy	333,727,889
Japan	236,980,805
Korea	130,208,918
Portugal	413,475,379
Other Countries	121,747,458
Pakistan	7,299,378,574
	8,784,956,839
Export Rebate	101,789
Discount	(69,763)
Sales tax	(1,061,134,822)
	7,723,854,042

38.5.1 Company do not have any non current assets outside Pakistan.

39 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities	31 Dec, 2021 Rupees
39.1 Turnover	
Total turnover for reportable segments	7,954,229,907
Elimination of inter-segment turnover	(230,375,865)
Total turnover	7,723,854,042
39.2 Cost of sales	
Total cost of sales for reportable segments	6,196,283,504
Elimination of inter-segment revenue	(230,375,865)
Total cost of sales	5,965,907,639
39.3 Profit or loss	
Total profit for reportable segments	1,711,548,298
Other operating expenses	(104,303,894)
Interest expense	(64,220,818)
Total profit before tax	1,543,023,586

	31 Dec, 2021 Rupees
39.4 Assets	
Total assets for reportable segments	12,444,208,723
Taxation recoverable	-
Sales tax refundable	298,507,057
Trade deposits	214,069,936
Long term deposit	41,621,816
Total assets	12,998,407,532
39.5 Liabilities	
Total liabilities for reportable segments	4,686,158,021
Unclaimed dividends	1,720,632
Infrastructure fee	161,993,443
Taxation Payable	26,543,457
Sponsors loan	-
Deferred taxation	165,286,894
Total liabilities	5,041,702,447

Notes to the financial statements
For The Half Year Ended Dec 31, 2021

	Note	Spinning	Weaving	Total
		31-Dec-21	31-Dec-21	31-Dec-21
40 Cost of sales				
Raw material consumed	40.1	3,226,136,938	2,039,739,387	5,265,876,325
Packing material consumed		48,540,854	6,043,472	54,584,326
Stores and spare parts		61,753,150	43,451,265	105,204,415
Salaries, wages and benefits		329,361,872	110,632,305	439,994,177
Fees and subscription		30,540	680,159	710,699
Fuel, power and water				
Inter-segment		-	-	-
Others		434,249,984	188,723,671	622,973,655
		434,249,984	188,723,671	622,973,655
Insurance		13,125,000	3,691,465	16,816,465
Vehicle running and maintenance		4,490,265	1,349,514	5,839,779
Rent, rates and taxes		485,070	64,220	549,290
Repair and maintenance		11,608,620	4,892,184	16,500,804
Communication		299,612	175,222	474,834
Travelling and conveyance and entertainment		965,571	332,190	1,297,761
Depreciation		82,680,000	40,800,000	123,480,000
Others		784,369	833,392	1,617,761
		4,214,511,845	2,441,408,446	6,655,920,291
Work in process				
Opening stock		77,390,972	108,438,077	185,829,049
Closing stock		(97,754,871)	(161,673,316)	(259,428,187)
		(20,363,899)	(53,235,239)	(73,599,138)
Cost of goods manufactured		4,194,147,946	2,388,173,207	6,582,321,153
Cost of raw material sold		-	869,901	869,901
Finished stocks				
Opening stock		154,921,274	261,251,325	416,172,599
Finished goods purchased		-		
Closing stock		(250,472,215)	(552,607,935)	(803,080,150)
		(95,550,941)	(291,356,609)	(386,907,550)
		4,098,597,005	2,097,686,499	6,196,283,504

	Note	Spinning	Weaving	Total
		31-Dec-21	31-Dec-21	31-Dec-21
40.1 Raw material consumed				
Opening stock		1,829,830,055	227,577,135	2,057,407,190
Purchases				
Inter-segment		-	230,375,865	230,375,865
Others		4,496,988,107	1,944,278,455	6,441,266,562
		4,496,988,107	2,174,654,320	6,671,642,427
Raw material sold - cotton		-	-	-
Raw material sold - yarn		-	(869,901)	(869,901)
Raw material sold - Impaired		254,527	-	254,527
Closing stock		(3,101,190,278)	(361,622,167)	(3,462,812,445)
		3,226,136,938	2,039,739,387	5,265,876,325

40.2 Cost of raw material sold			
Cost of purchase	-	869,901	869,901
Salaries, wages and other benefits	-	-	-
Loading and unloading	-	-	-
Insurance	-	-	-
Finance cost	-	-	-
	-	869,901	869,901

41 Distribution cost			
Export			
Ocean freight and forwarding	40,831,206	29,700,465	70,531,671
Commission	17,346,775	6,785,976	24,132,751
Export development surcharge	1,431,434	2,022,862	3,454,296
Sales Promotion Expenses	-	-	-
Others	428,974	362,608	791,582
	60,038,389	38,871,911	98,910,300
Local			
Salaries and wages	356,068	917,084	1,273,152
Inland transportation	7,936,110	-	7,936,110
Commission	45,466,383	10,637,785	56,104,168
Quality claim	-	-	-
Others	661,836	130,723	792,559
	54,420,397	11,685,592	66,105,989
	114,458,786	50,557,503	165,016,289

	Note	Spinning	Weaving	Total
		31-Dec-21	31-Dec-21	31-Dec-21
42 Administrative expenses				
Directors' remuneration		10,800,000	-	10,800,000
Staff salaries and benefits		36,423,575	13,233,180	49,656,755
Traveling, conveyance and entertainment		1,727,134	1,391,309	3,118,443
Printing and stationery		1,183,442	640,828	1,824,270
Communication		1,004,021	28,249	1,032,270
Vehicles running and maintenance		3,918,742	980,069	4,898,811
Legal and professional		1,419,000	622,725	2,041,725
Auditors' remuneration		-	-	-
Fee and subscription		4,690,324	23,535	4,713,859
Repair and maintenance		241,156	-	241,156
Depreciation		7,300,000	1,200,000	8,500,000
Rent, rates and utilities		1,113,427	-	1,113,427
Donation		-	-	-
Others		1,636,166	590,343	2,226,509
		81,500,681	18,710,238	100,210,919

CIAL 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 Dec 31, 2021 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

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

Non-current liabilities

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

Other financial instruments

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

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

	December-21							
	Interest / Markup bearing			Non Interest / Markup bearing				
	Maturity Upto One year	Maturity After One year	Subtotal	Maturity Upto One year	Maturity After One year	Subtotal	Total	Effective Interest Rate
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
ial assets								
debts	-	-	-	1,835,119,346	-	1,835,119,346	1,835,119,346	
and advances	-	-	-	7,600,576	-	7,600,576	7,600,576	
deposits	184,444,861	-	184,444,861	6,392,950	-	6,392,950	190,837,811	4.5 to 10.25
receivables	-	-	-	8,930,556	-	8,930,556	8,930,556	
nd bank balances	-	-	-	294,213,879	-	294,213,879	294,213,879	
erm deposits	-	-	-	-	41,621,816	41,621,816	41,621,816	
	184,444,861	-	184,444,861	2,152,257,307	41,621,816	2,193,879,123	2,378,323,984	
ial liabilities								
erm financing	234,726,083	2,431,839,386	2,666,565,469	-	-	-	2,666,565,469	0.75 to 3.50 and KIBOR + 0.40
nd other payables	74,108,523	-	74,108,523	1,028,240,515	-	1,028,240,515	1,102,349,038	
d mark-up / interest	-	-	-	23,361,391	-	23,361,391	23,361,391	
erm borrowings	31,297,475	-	31,297,475		-	-	31,297,475	KIBOR + 0.1 to 2
	340,132,081	2,431,839,386	2,771,971,467	1,051,601,906	-	1,051,601,906	3,823,573,373	
nce sheet gap	(155,687,220)	(2,431,839,386)	(2,587,526,606)	1,100,655,401	41,621,816	1,142,277,217	(1,445,249,389)	

ncies and commitments	
ted cheques	801,158,230
ounted	481,946,001
tees (Note 6.1 and Note 15.1.2)	401,313,675
of credit	5,050,583,654
	139,115,511

ncies and commitments	
ed cheques	688,661,450
ounted	539,912,451
tees (Note 6.1 and Note 15.1.2)	368,863,537
of credit	5,105,556,165

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.

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 2,378,323,984 , unsecured local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 1,851,650,478 are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

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 statement of financial position liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at Dec 31, 2021, the total foreign currency risk exposure was PKR 353,172,466 in respect of foreign trade debts.

43.5 Credit risk

43.5.1 Maximum credit exposure

The carrying amount of financial assets, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

	Note	Dec 31, 2021 Rupees
Long term deposits		41,621,816
Trade debts		1,835,119,346
Advances to employees		4,346,979
Refundable trade deposits		184,444,861
Other receivables		8,930,556
Cash at banks		294,213,879
		2,368,677,437

43.5.2 Concentration of credit risk

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

Domestic	1,557,966,219
Europe	251,953,043
Asia and Middle East	98,381,311
	1,908,300,573
Impairment	(73,181,227)
	1,835,119,346

43.5.3 Aging and movement in Impairment losses

The aging of receivables as at the reporting date is as follows:

Not past due	1,222,141,634
Past due less than one year	612,977,712
Past due more than one year but less than three years	2,967,136
Past due more than three years	70,214,091
	1,908,300,573
Allowance for expected credit losses	(73,181,227)
	1,835,119,346

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

As at beginning of the year	83,553,311
Impairment loss recognized	-
Impairment loss reversed	(10,372,084)
As at end of the period/year	73,181,227

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

43.5.4 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.

43.6 Liquidity risk

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

	As at December 31, 2021				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term financing	2,666,565,469	3,549,554,935	300,096,407	1,571,208,933	1,678,249,595
Accrued mark-up / interest	23,361,391	23,361,391	23,361,391	-	-
Trade creditors	573,043,478	573,043,478	573,043,478	-	-
Accrued liabilities	275,456,108	275,456,108	275,456,108	-	-
Unclaimed dividend	1,720,632	1,720,632	1,720,632	-	-
Other payables	88,752,567	88,752,567	88,752,567	-	-
	3,660,197,120	**4,545,696,643**	**1,296,238,115**	**1,571,208,933**	**1,678,249,595**

43.7 Market risk

	Dec 31, 2021 Rupees
43.7.1 Currency risk	
a) The Company's exposure to currency risk as at the reporting date is as follows:	
Trade receivables	**350,334,354**
Cash and cash equivalents	**2,838,112**
Total exposure	**353,172,466**

b) Exchange rates applied as at the reporting date.

The following spot exchange rates were applied as at the reporting date wherever applicable.

	Dec 31, 2021	
	Assets Rupees	Liabilities Rupees
CHF	194.65	194.10
JPY	1.5410	1.5460
Euro	201.18	201.74
CNY	28.15	28.22
USD	177.45	177.95

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 35,317,247. 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.

	Dec 31, 2021 Rupees
43.7.2 Interest rate risk	

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

Fixed rate instruments

Financial assets	**184,444,861**
Financial liabilities	**2,530,038,883**

Variable rate instruments

Financial assets	-
Financial liabilities	**62,645,155**

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by PKR 626,451. A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

43.7.3 Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk as it does not hold financial instruments based commodity prices.

43.8 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial assets measured at fair value is shown below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

	Carrying amount		
	Dec-21		
	At amortized cost	Fair value through profit or loss	Fair value through other comprehensive income
	'----------Rupees----------		
Financial assets			
Long term deposits	41,621,816	-	-
Trade debts	1,835,119,346	-	-
Advances to employees	4,346,979	-	-
Refundable trade deposits	190,837,811	-	-
Other receivables	8,930,556	-	-
Cash at banks	294,213,879	-	-
	2,375,070,387	-	-
Financial Liabilities			
Long term financing	2,666,565,469	-	-
Short term borrowings	31,297,475	-	-
Accrued mark-up / interest	23,361,391	-	-
Trade creditors	573,043,478	-	-
Accrued liabilities	275,456,108	-	-
Unclaimed dividend	1,720,632	-	-
Other payables	14,644,044	-	-
	3,586,088,597	-	-

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Names, basis of relationship and 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 37 are as follow:

Name of the Company	Basis of relationship	Percentage of shareholding
Faisal Spinning Mills Limited	Common directorship	N/A
Blessed Textiles Limited	Common directorship	N/A
Bhanero Energy Limited	Common directorship	N/A
Admiral (Private) Limited	Directorship of close family relative	N/A

Nature of relationship	Nature of transactions	31-Dec-21 Rupees
Associated undertaking	Services received	154,500
	Electricity purchased	210,227,194
	Purchase of yarn, fabric	113,122,337
	Sales of cotton, yarn, fabric	564,123,959

44.1 Detail of compensation to key management personnel comprising of chief executive officer, director and executives is disclosed in note 37.

Accounting Estimates and Judgments

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

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

Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

Interest rate and cross currency swap

The Company has entered into various interest rates and cross currency swap over the last year. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

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. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances including current maturity. Total capital employed includes total equity as shown in the statement of financial position plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	31-Dec-21 Rupees
Total debt	2,750,184,120
Total equity	7,983,248,542
	10,733,432,662
Gearing	26%

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

Fair Value Measurements

Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments approximate to their fair values.

47.2 Assets and liabilities other than financial instruments.

None of the assets and liabilities other than certain financial instruments are measured at fair value.

48 PLANT CAPACITY AND ACTUAL PRODUCTION

	31-Dec-21
Spinning & Weaving	
Number of spindles installed	80,112
Number of looms installed	162
Installed capacity of yarn converted in 20/1 (Kgs.)	14,810,385
Actual production of yarn (Kgs.)	6,610,481
Installed capacity of fabric based on 50 picks- meters	26,566,890
Actual production of fabric - meters	10,777,924

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

49 NUMBER OF EMPLOYEES

	31-Dec-21
As at the reporting date	1,416
Average for the period	1,395

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 07 APR 2022

51 CORRESPONDING FIGURES

Figures have been rounded off to the nearest rupee. Corresponding figures have been re-arranged where necessary to facilitate comparison. However, no significant reclassification has been made.

52 GENERAL

The figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS
19-B, Block G, Gulberg-III, Lahore. Tel: 042-35858624-6
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leading edge alliance
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Annexure 4

Date: 7th April, 2022

Bhanero Textile Mills Limited
23/1 Umer house
Korangi Industrial Area , Sector 23
Karachi

Bhanero Energy Limited
23/1 Umer house
Korangi Industrial Area , Sector 23
Karachi

Dear Sir,

Project Split-Corporate Restructuring-Scheme of arrangement

Introduction

We refer to the envisaged scheme of arrangement involving Bhanero Energy Limited (BEL and Bhanero Textile Mills Limited (BTML) (the "Scheme") the draft of which we have reviewed.

We have prepared this letter in accordance with your respective instructions, issued to us under our engagement agreement dated 24 March 2022 ("Engagement agreement") with BTML, to assist in corporate restructuring through the Scheme under the sections 279 to 283 and 285 of the Companies Act, 2017 ("Act"), with respect to BEL and BTML (hereinafter collectively referred to as the companies) based on the special purpose audited financial statements of the companies for the period ending December 31, 2021.

The Companies

BEL is an unlisted public limited company incorporated under the laws of Pakistan. The authorized capital of BEL is PKR 150,000,000 divided into 15,000,000 ordinary shares of PKR 10 each; of which 2,463,650 ordinary shares of the aggregate value of PKR 24,636,500 are issued and fully paid and the remainder are unissued. BEL owns and operates two power generation facilities, one being the BEL-Kotri Unit 1 and the other having a gross capacity of 33.694MW

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located at 18-KM, Sheikhupura-Faisalabad Road, Ferozwattoan Punjab. The BEL-Korti Unit 1 is exclusively used for supply of electricity to BTML.

BTML is a public limited company incorporated under the laws of Pakistan and listed on the Pakistan Stock Exchange involved in the manufacture of textile products. The authorized capital of BTML is PKR 60,000,000 divided into 6,000,000 ordinary shares of PKR 10 each of which 3,000,000 ordinary shares of the aggregate nominal value of PKR 30,000,000 are issued and fully paid and the remainder are unissued. BTML manufactures textiles and has textile manufacturing facilities at Ferozwattoan Sheikhupara Punjab and at Kotri, Sindh.

The Scheme

We understand that the Scheme, the draft of which has been shared with us, principally envisages the following:

(a) the demerger of the BEL-Kotri Unit 1 Undertaking (as defined in the Scheme) which is located at Kotri, Sindh from BEL and its transfer to and vesting in BTML;

(b) the issuance of fully paid up BTML Shares (as defined in the Scheme) to the BEL Shareholders in proportion to their respective shareholding in BEL; and

(c) the cancellation of the shareholding of each BEL Shareholder and consequently reduction in the issued and paid up share capital of BEL, as explained below.

Issuance & Cancellation of Shares

The BTML Shares to be issued to the BEL Shareholders equal 40,964 ordinary shares based on the break-value of the shares of BTML and the book value of the BEL-Kotri Unit 1 Undertaking, the workings whereof have been detailed in this letter below.

The number of shares of BEL to be cancelled on account of the demerger of the BEL Kotri-Unit 1 Undertaking from BEL is 147,590 ordinary shares as explained in Annexure G which amounts to [5.99] percent shareholding of BEL's share capital.

The Scheme is envisaged to be effective as of the Effective Date, which is the date on which the Scheme is sanctioned by the Sindh High Court or such other date as may otherwise be expressly approved by the Sindh High Court.

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Based on the above, the swap ratio, i.e. the number of BTML Shares to be issued for each share of BEL being cancelled is as follows:

[0.27755].

The Scope of Work

The scope and nature of our work, including basis and limitations, are detailed in our engagement agreement dated 24 March 2022. The scope of our work was to detail the number of shares to be issued by BTML to BEL Shareholders in consideration of the BEL-Kotri Unit 1 Undertaking, and the number of shares of BEL to be cancelled consequently on the demerger of BEL-Kotri Unit 1 Undertaking, taking into account the special purpose audited financial statements of each company for the period ending December 31, 2021. We understand that our letter shall be used solely for the purpose of assistance to you in executing the Scheme including filing the scheme with High Court of Sindh at Karachi.

Key provisions of the Scheme

The key provisions of the proposed Scheme shared with us by Management, which forms the basis of our computations are mentioned below:

This letter has been based on information and workings made available to us as. We have no responsibilities to update our letter with respect to any circumstances, and information that becomes available, after this date. This letter is subject to the statement of limitations attached in 'Annexure A' attached hereto.

We highlighted that our letter does not constitute investment advice or a recommendation to the companies on their future course of action. The decision to buy or sell entails consideration of several factors some of which Mushtaq and Co. may not be aware of. The evaluation of these factors or any related advice does not form part of the scope of our work. Our scope of work is limited to allocation of net assets on basis of net book values of the companies.

We understand that the letter would be shared with all the stakeholders. Managements of the companies, lawyers and consultants to the transaction and the Honorable High Court of Sindh, however, please note that the letter should only be used for the purpose stated above and any summaries of, or references to this letter that are to be presented to any third parties must be reviewed by us, and that information may not be released without our prior written approval. Our letter may not have considered issues relevant to any third party. Any use that any such

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third party may choose to make of our letter is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. Accordingly, we do not owe a duty of care to any third party reader of this letter.

While our letter would assist the management in forming their own views on corporate restructuring, the ultimate decision of allocation of net assets and corporate restructuring would nevertheless be that of shareholders and the Board of Directors of the companies. Refer to Annexure A to this letter for further information.

We appreciate the opportunity to be of service and would be pleased to discuss our findings with you.

Yours faithfully,

Zahid Hussain Zahid, FCA

MUSHTAQ & COMPANY KARACHI Chartered Accountants

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Computation of allocation of Assets of BEL and shares of BTML

The Table below presents the summary of distribution of assets of BEL to BTML for detailed net assets distribution reference may be made to Annexure C to G attached here to.

Table 1: Allocation of assets and number of shares to be issued.

Breakup value of total net assets of BTML	A	PKR	7,983,248,542
Total number of shares of BTML	B	No.	3,000,000
Break value per share (BTML)	C = A / B	PKR	2,661.08
Book value of assets of BEL to be acquired by BTML	D	PKR	109,008,101
No. of shares of BTML to be issued @ breakup value	**E=D/C**		**40,964**

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Annexure A; Statement of assumption and limitation conditions

Our work is contingent upon the following limitation conditions;

1. The allocation of net assets computed herein is based on book value of net assets. Distribution of net assets has been agreed amongst the respective managements and board of Directors of Companies.
2. This letter is intend for use only by the party to whom it has been addressed and the Companies. Mere possession of this letter does not convey the right of reliance, nor may reliance be placed by any third party for any other purpose than that for which it was prepared.
3. The allocation of net assets contained in this letter is intended only for the purpose of assistance to the shareholders as stated in the opening paragraph of this letter. Subsequently changes in the provisions of the agreement and the adjustments therein could result in a substantially different allocation of net assets than that estimated and presented in the letter. Mushtaq and Co. is not required to revise or update this letter to reflect events or conditions which occur subsequent to the date of this letter.
4. Financial statement of the company used to determine the book values were the special purpose audited financial statements dated 31 December 2021.
5. Information provided to us by the Management forms the basis upon which our workings were conducted. Omission of any material information provided to us would have a significant Impact on our workings. Further, It is our assumption that workings and financial statements of the Companies provided by the Clients approved by them and their respective Board of Directors for this exercise.
6. We have relied on the accuracy and completeness of information obtained from the Management and hence did not independently verify such information unless otherwise stated.
7. This letter should not be considered as Investment, tax or accounting advice and does not constitute a fairness opinion.
8. We understand that this letter may be shared with all the shareholders, Management of the companies, lawyers and consultants to the Scheme. In addition, the letter may also be shared with the Securities and Exchange Commission of Pakistan ("SECP") and the Honorable High Court of Sindh (collectively "Regulator") as part of regulatory filings for the proposed Scheme. We are prepared to share our letter with the Regulator to fulfill the regulatory requirement provided that:

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a. The Client and the Regulator acknowledge and confirm that this letter has been prepared solely in relation with the Scheme and for the benefit of the Client and we owe a duty of care only to our Client with whom we have signed our Engagement Agreement.

b. The Client and the Regulator acknowledge that the conditions stipulated in the following paragraph will be adhered to:

1. This letter has been prepared solely for the purpose defined and the benefit of the client. It cannot be used or relied upon for any other purpose or by any party except the client. For the avoidance of doubt, we do not owe a duty of care to any party who has not agreed the terms of our Engagement Agreement or where we have not specifically agreed to owe a duty of care to such parties.
2. Accordingly, any party other than the Client should not use or place reliance on our letter nor they can claim that they have done so. We assume no responsibility whatsoever or be held liable for losses third parties may incur in respect of or arising out of or in connection with the use or reliance by third parties on the contents of this letter. If third Parties choose to use or rely in any way on the contents of this letter, they do so entirely at their own risk. Further, access to our letter is limited to those parties to whom we have specifically provided our consent and any party who has not been provided with such consent should not have access to our letter and must not read any further.

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Annexure B: Sources of Information:

We have considered historical financial statements and other documents provided by the Management for this exercise. We have used information from the following sources:

- Special purpose audited financial statements of the BTML and BEL as at 31 December 2021;
- Workings provided by the Managements of the Companies with respect to distribution of net assets;
- Conversations held with Management personnel to obtain an understanding of the proposed Scheme, who were involved in preparation of the workings provided to us; and
- Discussions held with the legal counsel, RIAA Barker Gillette on the Scheme;

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ANNEXURE - C
BHANERO ENERGY LIMITED
STATEMENT OF FINANCIAL POSITION -AUDITED
AS AT DECEMBER 31, 2021

	December, 31 2021 Rupees		*December, 31 2021 Rupees*
SHARE CAPITAL AND RESERVES		***NON-CURRENT ASSETS***	
Share capital	24,636,500	Property, plant and equipment	597,295,924
Capital reserve	60,340,000	Investment property	465,526,032
Unappropriated profit	1,207,495,485	Long term deposits	2,484,127
	1,292,471,985		
NON-CURRENT LIABILITIES		***CURRENT ASSETS***	
Long term financing	52,982,204	Stores, spares and loose tools	165,028,567
Deferred liability	350,820,902		
		Loan, advances other receivables and prepayments	3,303,958
CURRENT LIABILITIES			
Trade and other payables	112,849,878	Other financial assets	3,300,000
Accrued interest/mark-up on long term loan	409,375	Sales tax refundable	13,682,547
		Trade debts	98,402,756
Current portion of long term financing	10,091,744	Income tax refundable	15,973,371
		Bank balances -in current accounts	345,620,705
		Asset held for transfer	109,008,101
	123,350,998		754,320,005
	1,819,626,088		1,819,626,088

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ANNEXURE - D

BHANERO ENERGY LIMITED- UNIT 01, KOTRI

SPECIAL PURPOSE STATEMENT OF ASSETS AND CONTINGENT LIABILITY OF UNDERTAKING - AUDITED AS AT DECEMBER 31, 2021

	Rupees
NON-CURRENT ASSETS	
Property, plant and equipment	94,574,242
CURRENT ASSETS	
Stores and spares	14,433,859
TOTAL ASSETS	109,008,101
CONTINGENT LIABILITY	

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Annexure E

Bhanero Textile Mills Limited

Statement of Financial Position
As at Dec 31, 2021

	Dec 31, 2021 Rupees		Dec 31, 2021 Rupees
EQUITY AND LIABILITIES		**ASSETS**	
SHARE CAPITAL AND RESERVES		**NON CURRENT ASSETS**	
Authorized capital		Property, plant and equipment	2,742,204,376
6,000,000 (2021: 6,000,000) ordinary shares of Rs.10 each	60,000,000	Capital work in progress	2,871,671,694
		Long term deposit	41,621,816
Issued, subscribed and paid up capital	30,000,000		5,655,497,886
Reserves	6,300,000,000		
Unappropriated profit	1,653,248,542		
	7,983,248,542		
NON CURRENT LIABILITIES			
Long term financing - secured	2,431,839,386		
Long term payables	227,541,398		
Staff retirement benefits	204,843,286		
Deferred taxation	165,286,894		
Deferred government grant	482,031,299		
	3,511,542,263	**CURRENT ASSETS**	
		Stores, spares and loose tools	107,424,697
		Stock in trade	4,525,320,782
CURRENT LIABILITIES		Trade debts	1,835,119,346
Trade and other payables	1,102,349,038	Loans and advances	59,323,393
Unclaimed dividend	1,720,632	Trade deposits and prepayments	214,069,936
Accrued markup / interest	23,361,391	Other receivables	8,930,556
Short term borrowings - secured	31,297,475	Income tax refundable	-
Current portion of long term financing	318,344,734	Sales tax refundable	298,507,057
Provision for taxation - net	26,543,457	Bank balances	294,213,879
	1,503,616,727		7,342,909,646
TOTAL EQUITY AND LIABILITIES	12,998,407,532	**TOTAL ASSETS**	12,998,407,532

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Annexure - F
Number of shares to be issued by BTML

Break up value of total net assets of BTML	A	PKR	7,983,248,542
Total number of shares of BTML	B	No.	3,000,000
Break value per share (BTML)	C = A / B	PKR	2,661.08
Break up value of asseets of BEL to be acquired by BTM	D	PKR	109,008,101
No. of shares of BTML to be issued @ breakup value	**E=D/C**		**40,964**

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Annexure - G
Share capital to be cancelled by BEL

Book value of total assets	A	PKR	1,819,626,088
Total number of shares	B	No.	2,463,650
Book value per share	C = A / B	PKR	738.59
Book value of assets of BEL to be acquired by BTML	D	PKR	109,008,101
No. of shares of BEL to be cancelled @ book value	**E=D/C**		147,590

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