49TH
ANNUAL REPORT
2009

BIBOJEE GROUP

UKAS
QUALITY
MANAGEMENT
Registration Number
014

BANNU
WOOLLEN MILLS LIMITED

Bannu Woollen Mills Ltd.

بسم اللہ الرحمن الرحیم

CONTENTS

COMPANY'S PROFILE

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK Chairman MR. MUHAMMAD AZHAR KHAN Chief Executive LT. GEN. (RETD.) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA MRS. ZEB GOHAR AYUB MRS. SHAHNAZ SAJJAD AHMAD DR. SHAHEEN KULI KHAN MR. MANZOOR AHMAD SHEIKH (NIT) MR. SHER ALI KHAN (SLIC)
AUDIT COMMITTEE	LT. GEN. (RETD.) ALI KULI KHAN KHATTAK — Chairman MR. AHMAD KULI KHAN KHATTAK — Member MR. MUSHTAQ AHMAD KHAN, FCA — Member
COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS General Manager Corporate Affairs
CHIEF FINANCIAL OFFICER	MR. A. R. TAHIR Finance Manager
INTERNAL AUDITOR	MR. KALIM ASLAM
AUDITORS	M/S HAMEED CHAUDHRI & CO. Chartered Accountants
BANKERS	NATIONAL BANK OF PAKISTAN
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LIMITED. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI
REGISTERED OFFICE	BANNU WOOLLEN MILLS LIMITED HABIBABAD, KOHAT (N.W.F.P) TEL. 0922-510063 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk WEB SITE: www.bibojee.com
MILLS	D.I.KHAN ROAD, BANNU TEL. 0928 - 613151 - 613250 FAX. 0928 - 611450 E-MAIL: bwm2k@psh.paknet.com.pk Web Site "www.bibojee.com"

VISION

"TO BE MARKET LEADERS IN WOOLLEN/BLENDED FABRICS, BLANKETS & SHAWLS, BUILDING COMPANY IMAGE THROUGH INNOVATION AND COMPETITIVENESS, ENSURING SATISFACTION TO CUSTOMERS' AND STAKEHOLDERS AND TO FULFILL SOCIAL OBLIGATIONS."

MISSION STATEMENT

"LEAD PRODUCER OF QUALITY WOOLLEN/BLENDED FABRICS, BLANKETS & SHAWLS, WE SHALL BUILD ON OUR CORE COMPETENCIES AND ACHIEVE EXCELLENCE IN PERFORMANCE. WE AIM AT EXCEEDING EXPECTATIONS OF ALL STAKEHOLDERS. WE TARGET TO ACHIEVE TECHNOLOGICAL ADVANCEMENTS TO INCULCATE THE MOST EFFICIENT, ETHICAL AND TIME TESTED BUSINESS PRACTICES IN OUR MANAGEMENT.

WE SHALL STRIVE TO INNOVATE AND INTRODUCE ALTERNATE USES OF PRODUCTS TO BROADEN OUR CUSTOMER BASE TO HELP STRENGTHEN THE PHYSICAL INFRASTRUCTURE OF THE COUNTRY."

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 49th Annual General Meeting of the Shareholders of Bannu Woollen Mills Limited will be held at the registered office of the Company at Habibabad, Kohat on Saturday the 31st October 2009 at 10:45 A.M. to transact the following business.

1. To confirm the minutes of the Extra Ordinary General Meeting held on September 2, 2009.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2009 together with the directors' and auditors' reports thereon.

3. To appoint auditors for the year to ending on 30th June 2010 and to fix their remuneration.

4. To consider any other business with the permission of the Chair.

By order of the Board

Kohat
Dated: 9th October 2009

AMIN-UR-RASHEED
Company Secretary
&
General Manager Corporate Affairs

NOTES:

BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 23rd October 2009 to 30th October 2009 (both days inclusive). The shares received in the Company's Registrar office i.e. Management & Registration Services (Pvt) Limited, Business Executive Centre, F-17/3, Block 8, Clifton, Karachi before close of business hours on 22nd October 2009 will be considered in order for registration in the name of the transferees.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

2. Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio nos.

PARTICIPATION IN ANNUAL GENERAL MEETING:

3. Any member entitled to attend and vote at this meeting shall be entitled to appoint any other person as his/her proxy to attend and vote in respect of him/her and the proxy instrument shall be received by the Company not later than 48 hours before the meeting.

INSTRUCTIONS FOR CDC ACCOUNT HOLDERS:

4. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange commission of Pakistan;

a. For attending the meeting:

i. In case of account holder of CDC their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (N.I.C.) or Original Passport at the time of attending the Meeting.

ii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced at the time of the meeting.

b. For appointing proxies:

i. In case of individuals account holder of CDC registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements along with attested copies of N.I.C. or the Passport of the beneficial owner shall be furnished with proxy form.

ii. The proxy shall produce his original N.I.C. or original Passport at the time of the meeting.

Iii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to welcome you on 49th Annual General Meeting of the company and place before you the Balance Sheet as on 30th June, 2009 alongwith Profit and Loss Account for the year ended 30th June, 2009 with auditors' report on these financial statements for your approval.

FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR, 2009:

We are pleased to report that your Company has earned net profit of Rs. 9.709 million after loss of associated companies & impairment loss on investments and before taxation. The actual profit before these adjustments for year ended 30th June, 2009 amounts to Rs. 39.601 million as compared to profit of Rs. 44.273 million of year 2008.

The gross sales of the Company were higher at Rs. 391.280 million (2008: Rs. 331.889 million) . The cost of sales amounted to Rs. 295.269 million (2008: Rs. 241.378 million).

Operating profit after finance cost for the year under report was Rs. 39.601 million (2008: Rs. 44.273 million). However decrease during the purchases of imported wool made in 2008, the cost of goods manufactured decreases by 6.45% although other element of costwages, electricity, power & fuel increased by Rs. 19.119 million during the year under report i.e. 2009.

The best efforts of senior management of the Company, overall control and reduction in raw material cost by changing the blend and by introducing the new products. There was increase in financial cost by 24.36% as compared to last year; the fact of this increase is that the KIBOR plus spread has increased 42%. The gross profit for the year under review i.e. 2009 is 24.54% of net sales (2008 gross profit was 27.27% of net sales).

FINANCIAL RESULTS

Financial results for the year ended 30th June, 2009 as compared to the year ended 30th June, 2008 are summarized as under:

	Year ended 30th June 2009 (Rs. Million)	Year ended 30th June 2008 (Rs. Million)
Sales-Net	**391.280**	331.889
Less: Cost of Sales	**295.269**	241.378
Gross Profit	**96.011**	90.511
Administrative & Selling Expenses	**49.189**	40.011
Other Operating Expenses	**4.297**	4.627
	53.486	44.638
	42.525	45.873
Other Operating Income	**2.774**	2.982
Operating Profit	**45.299**	48.855
Finance Cost	**5.698**	4.582
	39.601	44.273
Share of Loss of Associated Companies-Net	**(14.351)**	(0.604)
Impairment Loss on Investments in Associated Companies	**(15.541)**	0
	(29.892)	(.604)
Profit Before Taxation	**9.709**	43.669
Taxation (Net)	**14.976**	16.211
(Loss)/Profit After Taxation	**(5.267)**	27.458
(Loss)/Earning Per Share	**Rs. (0.69)**	Rs. 3.61

OPERATING PERFORMANCE:

With the installed capacity of 3,346 woollen spindles and 46 shuttless looms (2008, capacity was 2,898 spindles and 46 shuttless looms), the Company has produced 1,610,280 Kgs of 5 Nm count yarn and 1,521,667 meter cloth based on 30 picks in year 2009 as compared to 1,378,895 Kgs of 5 Nm count yarn and 1,797,135 meters cloth based on 30 picks for the year ended 30 June, 2008. Production efficiency has receded as compared to year 2008 on account of Law & Order situation (war between local Taliban and Pak Army) and continuous power decline.

INVESTMENT IN PLANT AND MACHINERY:

We are pleased to inform you that your directors had invested Rs. 37.695 million in order to improve quality and quantity of the Mills production during the year under repot. We are also planning to invest further Rs. 35.000 million in plant & machinery during the year 2009-2010.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

As required under the Code of Corporate Governance the Directors are pleased to confirm that:

1. The financial statements, prepared by the management of Bannu Woollen Mills Ltd present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied for the year ended 30-06-2009 and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account of Bannu Woollen Mills Limited have been maintained.
4. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon Bannu Woollen Mills Limited's ability to continue as a going Concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30th June 2009, except for those disclosed in the financial statements.
9. The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.
10. No trades in the shares of Bannu Woollen Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30th June 2009.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company is compliant with the best practices of transfer pricing as contained in the listing regulation No. 37 of The Karachi Stock Exchange (G) Limited.

BOARD AUDIT COMMITTEE

The new Board of Directors elected on 26th March 2008 in compliance with the Code of Corporate Governance has established a Board Audit Committee.

1.	Lt. Gen. (Retd.) Ali Kuli Khan Khattak	Chairman
2.	Mr. Ahmad Kuli Khan Khattak	Member
3.	Mr. Mushtaq Ahmad Khan, FCA	Member

Board Audit Committee was established by the Board in its meeting held on 8th April 2008, to assist the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Board Committee consists of three members including the Chairman of the Committee. Majority of the members of the committee are non-executive directors.

The Board Audit Committee is responsible for reviewing quarterly reports of the Company's financial results, budgets and its audited financial statements and other systems of management controls. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the Company and to make recommendations to the Board of Directors regarding working of the Company.

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR

	Number
Total number of Board meetings Held during the year under review	4

Attendance of each Director

Mr. Raza Kuli Khan Khattak	4
Lt. Gen. (Retd). Ali Kuli Khan Khattak	3
Mr. Ahmad Kuli Khan Khattak	3
Mr. Muhammad Azhar Khan	3
Mr. Mushtaq Ahmad Khan FCA	4
Mrs. Zeb Gohar Ayub	3
Mrs. Shahnaz Sajjad Ahmad	3
Dr. Shaheen Kuli Khan Khattak	1
Mr. Manzoor Ahmad Sheikh (NIT)	4
Mr. Sher Ali Khan (SLIC)	4

Leave of absence was granted to directors who could not attend the board meetings due to their busy schedule and other appointments.

The Board is pleased to report further that Bannu Woollen Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on 30th June 2009.

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)

Key operating and financial data of last six years is enclosed.

PATTERN OF SHAREHOLDING

The statement of pattern of shareholding of the company as on 30th June 2009 is enclosed. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of Companies Ordinance 1984 read with Companies (Amendment) Ordinance 2002.

DIVIDEND

The Board of Directors has recommended not to pay any dividend keeping in view the pressing requirements of financial resources.

APPOINTMENT OF AUDITORS

The Company's auditors M/s Hameed Chaudhri & Co., Chartered Accountants, H. M. House, 7 Bank Square, Lahore retire and offer themselves for reappointment. The Board of Directors of the Company as recommended by the Audit committee has decided that the retiring auditor be re-appointed.

ACKNOWLEDGEMENT

We would like to place on record our strong appreciation for the efforts of the Senior Executives, officers and other staff members and workers for their hard work, cooperation and sincerity to the Company in achieving best possible results.

For & on behalf of Board of Directors

RAZA KULI KHAN KHATTAK
Chairman

Dated: 08 October, 2009

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

(Rupees in Million)

PARTICULARS	2009	2008	2007	2006	2005	2004
SALES (Net)	**391.280**	319.692	284.422	278.247	127.335	227.093
GROSS PROFIT	**96.011**	78.314	74.056	75.214	20.127	38.763
OPERATING PROFIT	**45.299**	48.855	45.584	50.322	4.987	17.690
PROFIT /(LOSS)						
BEFORE TAXATION	**9.709**	43.669	41.698	38.193	1.649	15.138
PROVISION FOR TAXATION	**14.976**	16.211	15.035	21.199	0.630	4.848
PROFIT /(LOSS)						
AFTER TAXATION	**(5.267)**	27.458	26.663	16.994	1.018	10.290
CASH DIVIDEND	**-**	-	☆ 50%	-	-	-
EARNING (LOSS) PER SHARE	**(0.69)**	3.61	5.26	3.35	0.20	2.30
BREAK UP VALUE PER SHARE	**41.09**	41.25	55.62	49.04	38.33	37.20
TOTAL ASSETS	**801.915**	713.499	668.981	619.121	684.766	718.490
CURRENT LIABILITIES	**165.464**	88.445	73.353	54.332	147.617	205.201
	636.451	625.054	595.628	564.789	537.149	513.289
REPRESENTED BY:						
SHARE CAPITAL	**416.137**	419.627	390.440	362.377	342.802	315.058
RESERVES	**137.400**	137.400	137.400	137.400	137.400	137.400
EQUITY	**553.537**	557.027	527.840	499.777	480.202	452.458
DEFERRED LIABILITIES	**82.914**	68.027	67.788	65.012	56.947	60.831
	636.451	625.054	595.628	564.789	537.149	513.289

☆ Bonus Shares

FORM 34

THE COMPANIES ORDIANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. CUIN (Incorporation Number) 0 0 0 1 0 8 0

2. Name of the Company BANNU WOOLLEN MIILS LIMITED

3. Pattern of holding of the shares held by the shareholders as at 30 06 2009

4. No of shareholders	Shareholdings	Total shares held
190	Shareholding from 1 to 100 shares	7,968
290	Shareholding from 101 to 500 shares	97,075
182	Shareholding from 501 to 1000 shares	157,477
293	Shareholding from 1001 to 5000	690,441
49	Shareholding from 5001 to 10000	394,498
18	Shareholding from 10001 to 15000	215,554
14	Shareholding from 15001 to 20000	241,572
2	Shareholding from 20001 to 25000	46,294
5	Shareholding from 25001 to 30000	140,907
4	Shareholding from 30001 to 35000	125,255
1	Shareholding from 35001 to 40000	39,000
1	Shareholding from 40001 to 45000	43,261
2	Shareholding from 45001 to 50000	90,473
1	Shareholding from 50001 to 55000	50,700
3	Shareholding from 55001 to 60000	174,843
2	Shareholding from 60001 to 65000	120,9180
1	Shareholding from 65001 to 70000	66,541
3	Shareholding from 70001 to 75000	219,599
1	Shareholding from 75001 to 80000	76,050
1	Shareholding from 80001 to 85000	80,991
1	Shareholding from 85001 to 90000	87,000
1	Shareholding from 95001 to 100000	98,655
1	Shareholding from 105001 to 110000	105,250
1	Shareholding from 265001 to 270000	270,000
1	Shareholding from 370001 to 375000	374,490
1	Shareholding from 385001 to 390000	385,761
1	Shareholding from 585001 to 590000	585,301
1	Shareholding from 620001 to 625000	622,956
1	Shareholding from 1995001 to 2000000	1,996,170
	Total	**7,605,000**

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	890,697	11.71
5.2. Associated Companies, undertakings and related parties.	2,588,623	34.04
5.3 NIT and ICP	792,951	10.43
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	560	0.01
5.5 Insurance Companies	622,956	8.19
5.6 Modarabas and Mutual Funds	NIL	0.00
5.7 Share holders holding 10%		
Bibojee Services (Pvt.) Ltd	1,996,170	26.25
5.8 General Public		
a. Local	2,631,061	34.60
b. Foreign	NIL	
5.9 Others		
Joint Stock Companies	76,003	1.00
Trust	2,128	0.03
Other	21	0.00

6. Signature of Chief Executive/ Secretary

7. Name of Signatory: **AMIN-UR-RASHEED**

8. Designation: Company Secretary & General Manager Corporate Affairs

9. NIC Number

1	4	3	0	1	-	4	5	7	5	7	6	4	-	3

10. Date

Day		Month		Year			
3	0	0	6	2	0	0	9

Note: In case there are more than one class of shares carrying voting rights, the information regarding each such class shall be given separately.

DETAILS OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

CATEGORIES OF SHAREHOLDERS			SHARES HELD
1.	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES:		
	M/S JANANA DE MALUCHO TEXTILE MILLS LTD,		585,301
	M/S.BIBOJEE SERVICES (PVT) LTD.		1,996,170
	M/S UNIVERSAL INSURANCE CO. LTD,		7,152
2.	N.I.T. & I.C.P:		
	M/S.INVESTMENT CORPORATION OF PAKISTAN		750
	M/S.NATIONAL INVESTMENT TRUST LIMITED		31,500
	M/S.NATIONAL BANK OF PAKISTAN (TRUSTEE DEPTT)		760,251
	M/S.IDBP (ICP UNIT)		450
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:		
	MR.RAZA KULI KHAN KHATTAK,	Chairman	45,259
	MRS.SHAHIDA KHATOON W/O MR. RAZA KULI KHAN KHATTAK		50,700
	LT.GEN. (RETD) ALI KULI KHAN KHATTAK	Director	43,261
	MRS.NELOFAR ALI KULI KHAN W/O LT.GEN. (RETD) ALI KULI KHAN KHATTAK		76,050
	MR.AHMED KULI KHAN KHATTAK	Director	45,214
	MRS.NASREEN AHMED KULI KHAN W/O MR.AHMED KULI KHAN KHATTAK		80,991
	MR.MUHAMMAD AZHAR KHAN	Chief Executive	30,420
	MRS.SHAMIM AZHAR W/O MR.MUHAMMAD AZHAR KHAN		18,252
	MR.MUSHTAQ AHMED KHAN (FCA)	Director	*270,000
	MRS.SAEEDA MUSHTAQ W/O MR. MUSHTAQ AHMAD KHAN, FCA		15,750
	MRS.ZEB GOHAR AYUB	Director	26,997
	MRS.SHAHNAZ SAJJAD AHMED	Director	89,148
	DR. SHAHEEN KULI KHAN	Director	98,655
	MR.MANZOOR AHMAD SHEIKH (NIT)	Director	NIL
	MR.SHER ALI KHAN (SLIC)	Director	NIL
4.	EXECUTIVES		37,303
5.	JOINT STOCK COMPANIES		76,003
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		623,516
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S.BIBOJEE SERVICES (PVT) LTD.		1,996,170
8.	GENERAL PUBLIC & OTHERS		2,595,907

*These shares also include the shares registered in the name of his wife and daughter pledged with bank through CDC.

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
[See clause (xlv)]

Name of Company **BANNU WOOLLEN MILLS LIMITED**
Year Ended 30TH JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes EIGHT independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, and none of then is member of Stock Exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June 2009.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. Their were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June 2009.

11. The Directors Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises THREE members, of whom TWO are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Signature	
(Name in block letters)	MUHAMMAD AZHAR KHAN (Chief Executive)
CNIC Number	11101-1484880-5

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **BANNU WOOLLEN MILLS LIMITED** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub - Regulation (xiii) of Listing Regulations 37 (now 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 08 October, 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BANNU WOOLLEN MILLS LIMITED** as at 30 June, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

- **(i)** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;
- **(ii)** the expenditure incurred during the year was for the purpose of the Company's business; and
- **(iii)** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

LAHORE; 08 October, 2009

BALANCE SHEET AS AT 30 JUNE, 2009

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 10,000,000 ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital	7	76,050	76,050
Reserves	8	137,400	137,400
Unappropriated profit		99,060	100,268
		312,510	313,718
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	9	241,027	243,309
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	10	1,789	1,883
Staff retirement benefits - gratuity	11	19,790	11,471
Deferred taxation	12	61,335	54,673
		82,914	68,027
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	10	1,555	1,861
Short term finances	13	109,414	33,121
Trade and other payables	14	46,260	37,163
Taxation	15	8,235	16,300
		165,464	88,445
CONTINGENCIES AND COMMITMENTS	16		
		801,915	713,499

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	17	440,875	416,909
Capital work-in-progress	18	33,180	2,265
		474,055	419,174
Investments in Associated Companies	19	3,380	31,495
Deposit for shares	20	22,818	22,818
Security deposits		276	266
		500,529	473,753
CURRENT ASSETS			
Stores and spares	21	20,304	19,177
Stock-in-trade	22	202,272	139,999
Trade debts	23	50,106	50,788
Advances to employees - unsecured considered good		197	338
Advance payments		490	194
Trade deposits and prepayments	24	453	3,963
Sales tax refundable		4,012	4,397
Due from Associated Companies	25	6,145	4,804
Other receivables		0	98
Income tax refundable, advance tax and tax deducted at source		16,642	15,431
Cash and bank balances	26	765	557
		301,386	239,746
		801,915	713,499

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

Muhammad Azhar Khan
Chief Executive

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Director

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

	Note	2009	2008
		(Rupees in thousand)	
SALES	27	**391,280**	331,889
COST OF SALES	28	**295,269**	241,378
GROSS PROFIT		**96,011**	90,511
DISTRIBUTION COST	29	**16,045**	14,964
ADMINISTRATIVE EXPENSES	30	**33,144**	25,047
OTHER OPERATING EXPENSES	31	**4,297**	4,627
		53,486	44,638
		42,525	45,873
OTHER OPERATING INCOME	32	**2,774**	2,982
OPERATING PROFIT		**45,299**	48,855
FINANCE COST	33	**5,698**	4,582
		39,601	44,273
SHARE OF LOSS OF ASSOCIATED COMPANIES - Net	19	**(14,351)**	(604)
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES	19	**(15,541)**	0
		(29,892)	(604)
PROFIT BEFORE TAXATION		**9,709**	43,669
TAXATION			
- Current year	15	**8,235**	16,300
- Prior years'	15	**79**	135
- Deferred	12	**6,662**	(224)
		14,976	16,211
(LOSS) / PROFIT AFTER TAXATION		**(5,267)**	27,458
		------- Rupees -------	
(LOSS) / EARNINGS PER SHARE	34	**(0.69)**	3.61

- The annexed notes form an integral part of these financial statements.
- Appropriations have been reflected in the statement of changes in equity.

Muhammad Azhar Khan
Chief Executive

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2009

	2009	2008
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation and share of loss and impairment loss on investments in Associated Companies	**39,601**	44,273
Adjustments for non-cash charges and other items:		
Depreciation	**13,445**	13,689
Unclaimed balances written-back	**(2)**	(198)
(Gain) / loss on disposal of operating fixed assets	**(528)**	21
Staff retirement benefits - gratuity (net)	**8,319**	65
Mark-up on bank deposits, dealers' and Associated Companies' balances	**(1,011)**	(1,883)
Finance cost	**5,698**	4,582
Workers' welfare fund	**853**	956
CASH INFLOW FROM OPERATING ACTIVITIES - Before working capital changes	**66,375**	61,505
(Increase) / decrease in current assets		
Stores and spares	**(1,127)**	(1,928)
Stock-in-trade	**(62,273)**	(30,375)
Trade debts	**682**	(15,357)
Advances to employees	**141**	538
Advance payments	**(296)**	(5)
Trade deposits and prepayments	**3,510**	(3,398)
Sales tax refundable	**385**	(1,342)
Due from Associated Companies	**(2,432)**	(2,675)
Other receivables	**98**	178
Increase in trade and other payables	**9,201**	3,206
	(52,111)	(51,158)
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**14,264**	10,347
Taxes paid	**(18,545)**	(20,030)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	**(4,281)**	(9,683)
Security deposits	**(10)**	0
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(4,291)**	(9,683)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(68,610)**	(5,034)
Sale proceeds of operating fixed assets	**812**	459
Mark-up received on bank deposits, dealers' and Associated Companies' balances	**2,102**	1,352
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(65,696)**	(3,223)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - net	**76,293**	10,345
Lease finances - net	**(400)**	594
Finance cost paid	**(5,698)**	(4,582)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**70,195**	6,357
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**208**	(6,549)
CASH AND CASH EQUIVALENTS - At the beginning of the year	**557**	7,106
CASH AND CASH EQUIVALENTS - At the end of the year	**765**	557

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

Muhammad Azhar Khan
Chief Executive

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Director

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

	Share capital	Capital reserve	General reserve	Reserve for issue of bonus shares	Unappr-opriated profit	Total
	------------------------		Rupees in thousand		------------------------	
Balance as at 30 June, 2007	50,700	19,445	117,955	0	93,890	281,990
Transfer	0	0	0	25,350	(25,350)	0
Nominal value of bonus shares issued	25,350	0	0	(25,350)	0	0
Profit for the year ended 30 June, 2008	0	0	0	0	27,458	27,458
Transfer from surplus on revaluation of property, plant & equipment on account of :						
- incremental depreciation for the year - net of deferred taxation	0	0	0	0	2,394	2,394
- realised on disposal of property, plant & equipment - net of deferred taxation	0	0	0	0	147	147
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	1,729	1,729
Balance as at 30 June, 2008	76,050	19,445	117,955	0	100,268	313,718
Loss for the year ended 30 June, 2009	0	0	0	0	(5,267)	(5,267)
Transfer from surplus on revaluation of property, plant & equipment on account of :						
- incremental depreciation for the year - net of deferred taxation	0	0	0	0	2,273	2,273
- realised on disposal of property, plant & equipment - net of deferred taxation	0	0	0	0	9	9
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	1,777	1,777
Balance as at 30 June, 2009	**76,050**	**19,445**	**117,955**	**0**	**99,060**	**312,510**

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

Muhammad Azhar Khan
Chief Executive

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Director

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

1. CORPORATE INFORMATION

Bannu Woollen Mills Limited (the Company) was incorporated in Pakistan as a Public Company in the year 1960 and its shares are quoted on Karachi and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of woollen yarn, cloth and blankets. The Company's registered office is located at Habibabad, Kohat and its Mills are located at D.I.Khan Road, Bannu.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) staff retirement benefits;

b) recognition and measurement of deferred tax assets and liabilities;

c) taxation;

d) useful life of property, plant and equipment;

e) provision against slow moving inventories; and

f) provision for impairment of trade debts.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

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

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 July, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The Securities & Exchange Commission of Pakistan (SECP), vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7 which is mandatory for the Company's accounting periods beginning on or after the date of notification i.e. 28 April, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 July, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July, 2009:

(a) IAS 1 (Revised), Presentation of Financial Statements (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) **IAS 19 (Amendment), Employee Benefits (effective from 01 January, 2009).**

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Exchange's financial statements.

(c) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(d) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(e) IAS 36 (Amendment), Impairment of Assets (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(f) IAS 38 (Amendment), Intangible Assets (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

(g) Amendment to IFRS 2 'Share-based Payment - Vesting Conditions and Cancellations' clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will have no impact on the Company's financial statements as the Company has no such share-based payments.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 July, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.2 Equity instruments

These are recorded at their face value.

6.3 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.4 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

6.5 Staff retirement benefits

The Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2009 on the basis of projected unit credit method by an independent Actuary.

6.6 Trade and other payables

Creditors relating to trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

6.7 Property, plant and equipment and depreciation

These are stated at cost less accumulated depreciation and any identified impairment loss except for capital work-in-progress, which is stated at cost. All expenditure connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

Freehold land, buildings on freehold land and plant & machinery were revalued during the years 1978, 1999 and 2004. Surplus arisen on revaluation of these assets was credited to the surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to unappropriated profit.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off. Depreciation rates are stated in note 17.

Normal repairs and replacements are taken to profit and loss account as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

6.8 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 17 applying reducing balance method to write-off the cost of asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

6.9 Investments in Associated Companies

Investments in Associated Companies are accounted for using equity basis of accounting under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the Associated Companies after the date of acquisition. The Company's share of the profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of the investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

6.10 Stores and spares

These are valued at moving average cost except items-in-transit, which are valued at cost accumulated to the balance sheet date.

6.11 Stock-in-trade

Basis of valuation are as follows:

Particulars	**Mode of valuation**
Raw materials:	
- at warehouses	- At lower of annual average cost and net realisable value.
- in transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At lower of cost and net realisable value.
Finished goods	- At lower of cost and net realisable value.
Usable waste	- At estimated realisable value.

Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to bring the goods in saleable form.

6.12 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

6.13 Cash and cash equivalents

These consist of cash-in-hand and balances with banks.

6.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

6.15 Revenue recognition

- Sales are recorded on dispatch of goods.
- Return on deposits is accounted for on 'accrual basis'.
- Dividend income is recognised when the right of receipt is established.

6.16 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.17 Provisions

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

6.18 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.19 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6.20 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the associates, which are on the actual basis.

6.21 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		2009	2008
		(Rupees in thousand)	
2,259,375	Ordinary shares of Rs.10 each issued for cash	**22,594**	22,594
5,345,625	Ordinary shares of Rs.10 each issued as bonus shares	**53,456**	53,456
7,605,000		**76,050**	76,050

7.1 Shares held by the Associated Companies at the year-end:

	2009	2008
	Numbers of shares	
- Janana De Malucho Textile Mills Ltd.	**585,301**	585,301
- Bibojee Services (Pvt.) Ltd.	**1,996,170**	1,996,170
- The Universal Insurance Company Ltd.	**7,152**	7,152
	2,588,623	2,588,623

8. RESERVES

	2009	2008
	(Rupees in thousand)	
Capital		
Share premium reserve:		
859,375 shares @ Rs.7.50 per share issued during the financial year 1991-92	**6,445**	6,445
650,000 right shares @ Rs.20.00 per share issued during the financial year 1993-94	**13,000**	13,000
	19,445	19,445
Revenue		
General reserve	**117,955**	117,955
	137,400	137,400

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book values resulted from the revaluations of freehold land, buildings on freehold land and plant & machinery during the years 1978, 1999 and 2004 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation. The year-end balance has been arrived at as follows:

	2009	2008
Opening balance	**243,309**	245,850
Less: transferred to unappropriated profit on account of:		
- incremental depreciation for the year - net of deferred taxation	**(2,273)**	(2,394)
- surplus realised on disposal of revalued assets - net of deferred taxation	**(9)**	(147)
Closing balance	**241,027**	243,309

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2009			2008		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	-------------- **Rupees in thousand**	--------------				
Minimum lease payments	**2,274**	**2,322**	**4,596**	2,578	2,692	5,270
Less: finance cost allocated to future periods	**489**	**216**	**705**	400	262	662
	1,785	**2,106**	**3,891**	2,178	2,430	4,608
Less: security deposits adjustable on expiry of lease terms	**230**	**317**	**547**	317	547	864
Present value of minimum lease payments	**1,555**	**1,789**	**3,344**	1,861	1,883	3,744

The Company has entered into lease agreements with First Habib Modaraba and ORIX Leasing Pakistan Ltd. for lease of vehicles. The liabilities under these agreements are payable by October, 2011 and, during the year, were subject to finance cost at the rates ranging from 15.86% to 21.20% (2008: 14.00% to 15.86%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors.

11. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation

	2009	2008
- discount rate	**12%**	9%
- expected rate of growth per annum in future salaries	**11%**	8%
- average expected remaining working life time of employees	**11 years**	13 years

	2009	2008
The amount recognised in the balance sheet is as follows:	**(Rupees in thousand)**	
Present value of defined benefit obligation	**31,474**	15,214
Unrecognised actuarial loss	**(11,684)**	(3,743)
Net liability as at 30 June,	**19,790**	11,471
Opening balance	**11,471**	11,406
Charge to profit and loss account	**11,591**	3,738
Payments during the year	**(3,272)**	(3,673)
Net liability as at 30 June,	**19,790**	11,471

The movement in the present value of defined benefit obligation is as follows:	**2009**	2008
	(Rupees in thousand)	
Present value of defined benefit obligation	**15,214**	15,333
Current service cost	**10,000**	2,174
Interest cost	**1,369**	1,380
Benefits paid	**(3,272)**	(3,673)
Actuarial loss	**8,163**	0
Present value of defined benefit obligation	**31,474**	15,214

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2009	2008	2007	2006	2005
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligation	**31,474**	15,214	15,333	14,085	13,900
Experience adjustment on obligation	**8,163**	0	0	52	0

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

12. DEFERRED TAXATION - Net

	2009	2008
	(Rupees in thousand)	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowance	**37,562**	29,518
- surplus on revaluation of property, plant & equipment	**23,251**	24,479
- lease finances	**697**	851
Deductible temporary difference arising in respect of provision against slow moving stores and spares	**(175)**	(175)
	61,335	54,673

13. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.140 million (2008: Rs.140 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 11.82% to 16.52% (2008: 11.47% to 11.89%) per annum; mark-up is payable on quarterly basis. The aggregate facilities are secured against first charge on fixed assets for Rs.160 million.

Facilities available for opening letters of credit aggregate Rs.50 million (2008: Rs.50 million) and are secured against the securities as detailed above.

These facilities are available upto 30 September, 2009.

14. TRADE AND OTHER PAYABLES

	Note	2009	2008
		(Rupees in thousand)	
Due to Associated Companies		**583**	1,398
Creditors		**10,643**	9,565
Bills payable against imported raw materials - secured		**11,309**	8,842
Advances from customers		**2,064**	970
Security deposits - interest free, repayable on demand		**1,800**	2,000
Accrued expenses		**13,077**	8,323
Workers' (profit) participation fund	14.1	**2,349**	2,562
Waqf-e-Kuli Khan	31.1	**2,152**	1,136
Income tax deducted at source		**27**	35
Workers' welfare fund		**829**	931
Unclaimed dividends		**1,348**	1,348
Others		**79**	53
		46,260	37,163

14.1 Workers' (profit) participation fund - (the Fund)

	2009	2008
Opening balance	**2,562**	2,388
Add: interest on funds utilised in the Company's business	**77**	228
	2,639	2,616
Less: payments made to Trustees of the Fund	**2,473**	2,494
	166	122
Allocation for the year	**2,183**	2,440
	2,349	2,562

15. TAXATION - Net

	2009	2008
Opening balance	**16,300**	14,840
Add: provision made during the year for :		
- current year	**8,235**	16,300
- prior years'	**79**	135
	8,314	16,435
	24,614	31,275
Less: adjustments against completed assessments	**16,379**	14,975
	8,235	16,300

15.1 Income tax assessments of the Company have been completed upto the Tax Year 2008; the return for the said year has not been taken-up for audit till 30 June, 2009.

15.2 The Company had filed a Reference Application before the Lahore High Court against the orders of the Income Tax Appellate Tribunal for set-asiding the decisions for the Assessment Years 1986-87 to 1988-89; however, no additional tax liability is likely to arise in case of an adverse judgment by the Court.

15.3 The Income Tax Department has issued amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 raising tax demands amounting Rs.1.781 million against which appeal has been filed, which is pending adjudication.

15.4 Relationship between tax expense and accounting profit

	2009	2008
	(Rupees in thousand)	
Accounting profit before tax	**9,709**	43,669
Tax at the applicable rate of 35%	**3,398**	15,284
Tax effect of permanent differences	**(5,988)**	804
Tax effect of share of loss and impairment loss on investments in Associated Companies	**10,462**	212
Deferred tax	**6,662**	(224)
Prior years' current tax charge	**79**	135
Others	**363**	0
Tax charge for the current year	**14,976**	16,211

16. CONTINGENCIES AND COMMITMENTS

16.1 Refer contents of note 15.3.

16.2 Commitments against irrevocable letters of credit for raw materials

	2009	2008
Commitments against irrevocable letters of credit for raw materials	**19,579**	16,457

17. OPERATING FIXED ASSETS

	Owned													Leased	
	Freehold Land	Buildings on freehold land: Factory	Buildings on freehold land: Residential	Buildings on freehold land: Others	Plant & machinery	Weighment and material handling equipment	Tools and Equipment	Furniture and fixtures	Electric fittings	Office equipment	Computers	Vehicles	Arms	Vehicles	Total
	------ Rupees in thousand ------														
As at 30 June, 2007															
Cost	198,000	24,390	7,514	17,201	356,564	464	15	596	2,540	375	960	9,186	60	5,858	623,723
Accumulated depreciation	0	11,528	3,395	4,333	170,014	339	12	326	1,787	273	787	5,895	36	1,455	200,180
Book value	198,000	12,862	4,119	12,868	186,550	125	3	270	753	102	173	3,291	24	4,403	423,543
Year ended 30 June, 2008:															
Additions	0	502	0	353	447	0	0	15	0	0	0	2,900	0	3,318	7,535
Disposals: cost	0	0	0	0	(1,315)	0	0	(21)	(8)	0	(6)	(257)	0	0	(1,607)
depreciation	0	0	0	0	861	0	0	18	6	0	5	237	0	0	1,127
	0	0	0	0	(454)	0	0	(3)	(2)	0	(1)	(20)	0	0	(480)
	198,000	13,364	4,119	13,221	186,543	125	3	282	751	102	172	6,171	24	7,721	430,598
Depreciation charge	0	652	206	655	9,313	6	0	14	37	5	52	1,203	1	1,545	13,689
Net book value as at June 30, 2008	198,000	12,712	3,913	12,566	177,230	119	3	268	714	97	120	4,968	23	6,176	416,909
Year ended 30 June, 2009:															
Additions	0	0	0	300	31,450	0	0	0	3,269	33	29	0	0	2,614	37,695
Transfers	0	0	0	0	0	0	0	0	0	0	0	1,958	0	(1,958)	0
Disposals: cost	0	0	0	0	(35)	0	0	0	0	(23)	(21)	(1,789)	0	0	(1,868)
depreciation	0	0	0	0	22	0	0	0	0	17	20	1,525	0	0	1,584
	0	0	0	0	(13)	0	0	0	0	(6)	(1)	(264)	0	0	(284)
	198,000	12,712	3,913	12,866	208,667	119	3	268	3,983	124	148	6,662	23	6,832	454,320
Depreciation charge	0	636	196	629	8,992	6	0	13	198	6	39	1,232	1	1,497	13,445
Net book value as at June 30, 2009	198,000	12,076	3,717	12,237	199,675	113	3	255	3,785	118	109	5,430	22	5,335	440,875
As at 30 June, 2008															
Cost	198,000	24,892	7,514	17,554	355,696	464	15	590	2,532	375	954	11,829	60	9,176	629,651
Accumulated depreciation	0	12,180	3,601	4,988	178,466	345	12	322	1,818	278	834	6,861	37	3,000	212,742
Book value	198,000	12,712	3,913	12,566	177,230	119	3	268	714	97	120	4,968	23	6,176	416,909
As at 30 June, 2009															
Cost	198,000	24,892	7,514	17,854	387,111	464	15	590	5,801	385	962	13,504	60	8,326	665,478
Accumulated depreciation	0	12,816	3,797	5,617	187,436	351	12	335	2,016	267	853	8,074	38	2,991	224,603
Book value	198,000	12,076	3,717	12,237	199,675	113	3	255	3,785	118	109	5,430	22	5,335	440,875
Depreciation rate (%)	0	5	5	5	5	5	5	5	5	5	30	20	5	20	

17.1 The management, during the preceding year, in order to ascertain the useful life of operating fixed assets carried-out an internal exercise and assessed the remaining useful life of depreciable assets other than computers and vehicles. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates were reduced to 5% from 10%. The management, in this regard, had also obtained opinion from independent Valuers [M/s Dimen Associates (Pvt.) Ltd., approved Valuers of Pakistan Banks Association]; the Valuers had confirmed the depreciation rates adopted by the management.

17.2 Depreciation for the year has been apportioned as under:

	2009	2008
	(Rupees in thousand)	
Cost of sales	**9,831**	9,997
Administrative expenses	**3,614**	3,692
	13,445	13,689

17.3 Disposal of operating fixed assets

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Sold through advertisement to:
	------- Rupees in thousand -------					
Plant & machinery						
Lathe machine	35	22	13	35	22	Muhammad Jamal Shah, Village Dirmakhel, Peepal Bazar, Daud Shah,Bannu.
Office equipment						
Telephone exchange	23	17	6	1	(5)	-do-
Computer						
Two monitors	21	20	1	1	0	Al-Syed Brothers, 48-Cilicon Centre, University Road, Peshawar.
Vehicles						
Nissan Sunny	796	686	110	425	315	Ch. Muhammad Ashraf Randhawa, Advocate, H # P-195, Street # 6, Khalidabad, Faisalabad.
Nissan Sunny	993	839	154	350	196	Mr. Akhtar Shah, Contractor, Charkhana Road, Nothia Jadeed, Peshawar.
	1,789	1,525	264	775	511	
	1,868	1,584	284	812	528	

18. CAPITAL WORK-IN-PROGRESS

	Note	2009	2008
		(Rupees in thousand)	
Plant and machinery	18.1	**32,356**	0
Advance payments against:			
- electric fittings		**0**	2,265
- buildings		**824**	0
		824	2,265
		33,180	2,265

18.1 The balance includes borrowing cost amounting Rs.2.593 million; the borrowing cost rates have been disclosed in note 13.

19. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

	2009	2008
	(Rupees in thousand)	
Babri Cotton Mills Ltd. (BCM)		
125,584 (2008: 125,584) ordinary shares of Rs.10 each - cost Equity held 4.34% (2008: 4.34%)	**1,632**	1,632
Post acquisition profit brought forward including effect of items directly credited in equity by the Associated Company	**2,809**	3,813
Loss for the year - net of taxation	**(2,683)**	(1,298)
	1,758	4,147
Janana De Malucho Textile Mills Ltd. (JDM)		
418,330 (2008: 418,330) ordinary shares of Rs.10 each - cost Equity held 13.22% (2008: 13.22%)	**4,944**	4,944
Post acquisition profit brought forward including effect of items directly credited in equity by the Associated Company	**23,887**	21,710
(Loss) / profit for the year - net of taxation	**(11,668)**	694
	17,163	27,348
	18,921	31,495
Less: impairment loss	**15,541**	0
	3,380	31,495

19.1 Fair value of investments in BCM as at 30 June, 2009 was Rs.0.703 million (2008: Rs.2.888 million).

19.2 Fair value of investments in JDM as at 30 June, 2009 was Rs.2.677 million (2008: Rs.30.120 million).

19.3 Summarised financial information of BCM, based on the financial statements for the year ended 30 June, 2009, is as follows:

- equity as at 30 June,	**28,724**	95,640
- total assets as at 30 June,	**1,364,717**	1,180,036
- total liabilities as at 30 June,	**886,518**	866,057
- revenue for the year ended 30 June,	**746,961**	739,868
- loss after taxation for the year ended 30 June,	**73,683**	29,926

19.4 Summarised financial information of JDM, based on the financial statements for the year ended 30 June, 2009, is as follows:

- equity as at 30 June,	**108,276**	206,936
- total assets as at 30 June,	**1,977,223**	2,128,685
- total liabilities as at 30 June,	**1,184,516**	1,227,598
- revenue for the year ended 30 June,	**1,071,738**	1,130,611
- (loss) / profit after taxation for the year ended 30 June,	**(109,886)**	5,248

20. DEPOSIT FOR SHARES

20.1 This deposit for shares amounting Rs.22.818 million was advanced to Janana De Malucho Textile Mills Limited - JDM (an Associated Company) during the financial year ended 30 June, 2007 for issue of right shares. The said right issue was subsequently withdrawn / cancelled by the shareholders of JDM in their annual general meeting held on 31 October, 2007 as JDM was unable to have the issue underwritten by financial institutions as per the requirements of the Companies (Issue of Capital) Rules, 1996.

JDM's board of directors, in their meeting held on 29 February, 2008, had proposed to issue shares to the Company as otherwise than right at a price of Rs.30/- per share against the deposit for shares already lying with JDM.

JDM's shareholders in the extra-ordinary general meeting held on 26 March, 2008 had also resolved to raise the capital of JDM by issuing 761,000 shares to the Company at a price of Rs.30/- per share (or at a price to be approved by the SECP) without issue of right shares under section 86(1) of the Companies Ordinance, 1984 against the deposit for shares advanced by the Company. The Company had consented to take the shares at face value with the premium of Rs.20/- per share subject to approval of SECP. JDM, during June, 2008, had filed an application with the SECP in this regard. The SECP, during July, 2008, had declined the JDM's request to issue shares to the Company as otherwise than right.

A review application was submitted to the SECP during August, 2008.

20.2 The SECP, subsequent to balance sheet date vide order dated 29 July, 2009, has accepted the review application filed by the Company and directed that delay in issuance of shares be compensated by issuing more shares of the same amount deposited with JDM. Accordingly, JDM is making necessary arrangements for issuing 1,140,000 ordinary shares to the Company at a price of Rs.20/- per share or at a price to be approved by the SECP. These shares will be issued under section 86(1) of the Companies Ordinance, 1984 otherwise than right and shall rank pari passu in all respects with the existing shares of JDM.

21. STORES AND SPARES

	Note	2009	2008
		(Rupees in thousand)	
Stores		**6,363**	5,378
Spares		**14,441**	14,299
	21.1	**20,804**	19,677
Less: provision against slow moving stores and spares		**500**	500
		20,304	19,177

21.1 No inventory was in transit as at 30 June, 2009 (inventory valuing Rs.1,176 thousand was in transit as at 30 June, 2008).

21.2 The Company does not hold any stores and spares for specific capitalisation.

22. STOCK-IN-TRADE

	Note	2009	2008
		(Rupees in thousand)	
Raw materials:			
- at warehouse		**81,066**	35,303
- in transit		**32,193**	13,148
		113,259	48,451
Work-in-process		**14,369**	12,525
Finished goods		**74,644**	79,023
		202,272	139,999

23. TRADE DEBTS - Unsecured - Considered good

Mark-up has been charged on the balances due after normal credit term and grace period at the rates applicable on short term finances as disclosed in note 13.

24. TRADE DEPOSITS AND PREPAYMENTS

Margin deposits		**0**	3,606
Prepayments		**164**	22
Letters of credit		**269**	215
Security deposits		**20**	120
		453	3,963

25. DUE FROM ASSOCIATED COMPANIES

On account of normal trading transactions			
Babri Cotton Mills Limited		**1**	127
Janana De Malucho Textile Mills Limited		**5,958**	3,400
		5,959	3,527
On account of mark-up			
Babri Cotton Mills Limited		**186**	187
Janana De Malucho Textile Mills Limited		**0**	1,090
		186	1,277
		6,145	4,804

26. CASH AND BANK BALANCES

Cash-in-hand		**289**	153
Cash at banks on:			
- current accounts		**244**	225
- dividend accounts		**179**	179
- PLS accounts	**26.1**	**53**	0
		476	404
		765	557

26.1 These carry profit at the rate of 5% per annum.

27. SALES - Net

	Note	2009	2008
		(Rupees in thousand)	
Fabrics and blankets		**391,146**	332,183
Waste		**1,470**	942
		392,616	333,125
Less: discount		**1,336**	1,236
		391,280	331,889

28. COST OF SALES

	Note	2009	2008
Raw materials consumed	**28.1**	**160,035**	150,862
Salaries, wages and benefits	**28.2**	**58,388**	45,257
Power and fuel		**38,302**	31,064
Stores consumed		**14,465**	14,585
Repair and maintenance		**10,112**	11,098
Depreciation		**9,831**	9,997
Insurance		**1,350**	1,395
Others		**251**	184
		292,734	264,442
Adjustment of work-in-process			
Opening		**12,525**	16,222
Closing		**(14,369)**	(12,525)
		(1,844)	3,697
Cost of goods manufactured		**290,890**	268,139
Adjustment of finished goods			
Opening stock		**79,023**	52,262
Closing stock		**(74,644)**	(79,023)
		4,379	(26,761)
		295,269	241,378

28.1 Raw materials consumed

	Note	2009	2008
		(Rupees in thousand)	
Purchases		**224,843**	158,173
Adjustment of stock			
- opening		**48,451**	41,140
- closing		**(113,259)**	(48,451)
		(64,808)	(7,311)
		160,035	150,862

28.2 These include following in respect of gratuity:

- current service cost	**7,637**	1,826
- interest cost	**1,046**	1,159
- actuarial loss recognised	**170**	155
	8,853	3,140

29. DISTRIBUTION COST

	Note	2009	2008
Salaries and benefits	29.1	**827**	2,049
Travelling		**15**	0
Commission		**14,465**	12,197
Outward freight		**4**	11
Sales promotion / samples		**504**	543
Communication		**15**	14
Vehicles' running		**184**	133
Others		**31**	17
		16,045	14,964

29.1 These include following in respect of gratuity:

- current service cost	**109**	39
- interest cost	**15**	24
- actuarial loss recognised	**2**	3
	126	66

29.2 The Company has shared expenses aggregating Rs.6.029 million (2008: Rs.5.581 million) on account of the Combined Offices with its Associated Companies. These expenses have been booked in respective heads of account.

30. ADMINISTRATIVE EXPENSES

	Note	2009	2008
		(Rupees in thousand)	
Salaries and benefits	30.1	**20,073**	12,812
Travelling		**1,264**	1,111
Rent, rates and taxes		**1,301**	1,099
Entertainment / guest house expenses		**416**	335
Communication		**588**	476
Printing and stationery		**425**	422
Electricity		**1,310**	1,420
Insurance		**28**	27
Repair and maintenance		**528**	469
Vehicles' running		**2,088**	1,667
Advertisement		**168**	271
Subscription / papers and periodicals		**192**	253
Depreciation		**3,614**	3,692
Auditors' remuneration:			
- statutory audit		**225**	225
- half yearly review		**100**	60
- consultancy charges		**80**	65
- certification charges		**10**	30
- out-of-pocket expenses		**21**	21
		436	401
Legal and professional charges (other than Auditors')		**677**	563
Others		**36**	29
		33,144	25,047

30.1 These include following in respect of gratuity:

	2009	2008
- current service cost	**2,254**	309
- interest cost	**308**	197
- actuarial loss recognised	**50**	26
	2,612	532

31. OTHER OPERATING EXPENSES

	Note	2009	2008
Donations		**245**	32
Donation to Waqf-e-Kuli Khan	31.1	**1,016**	1,136
Workers' (profit) participation fund		**2,183**	2,440
Workers' welfare fund		**853**	956
Loss on disposal of operating fixed assets - net		**0**	21
Balances receivable from employees - written-off		**0**	42
		4,297	4,627

31.1 The amount has been donated to Waqf-e-Kuli Khan, (a Charitable Institution) administered by the following directors of the Company:

- Mr. Raza Kuli Khan Khattak
- Lt. General (Retd.) Ali Kuli Khan Khattak
- Mrs. Zeb Gohar Ayub Khan
- Dr. Shaheen Kuli Khan Khattak
- Mr. Ahmad Kuli Khan Khattak
- Mr. Mushtaq Ahmad Khan, FCA
- Mrs. Shahnaz Sajjad Ahmad

32. OTHER OPERATING INCOME

	2009	2008
	(Rupees in thousand)	
Income from financial assets		
Mark-up earned on:		
- Associated Companies' balances	**204**	619
- dealers' balances	**705**	1,245
- PLS accounts	**102**	0
- term deposit receipts	**0**	19
	1,011	1,883
Income from other than financial assets		
Sale of empties / scrap	**1,233**	901
Unclaimed balances / excess provisions written-back	**2**	198
Gain on disposal of operating fixed assets - net	**528**	0
	1,763	1,099
	2,774	2,982

33. FINANCE COST

	2009	2008
Interest on workers' (profit) participation fund	**78**	228
Mark-up on:		
- Associated Companies' balances	**90**	45
- short term finances	**3,952**	2,746
- letters of credit	**758**	706
Lease finance charges	**706**	682
Bank charges	**114**	175
	5,698	4,582

34. (LOSS) / EARNINGS PER SHARE

There is no dilutive effect on the (loss) / earnings per share of the Company, which is based on:

	2009	2008
(Loss) / profit after tax attributable to ordinary shareholders	**(5,267)**	27,458
	Numbers	
Weighted average number of ordinary shares in issue during the year	**7,605,000**	7,605,000
	Rupees	
(Loss) / earnings per share	**(0.69)**	3.61

35. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- credit risk; - liquidity risk; and - market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of Companys risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

35.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and primarily arises from trade debts and due from Associated Companies. Out of the total financial assets of Rs.57,312 thousand (2008:Rs.60,239 thousand), the financial assets which are subject to credit risk aggregated to Rs. 57,023 thousand (2008:Rs.60,086 thousand).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 120 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 June, 2009 along with comparative is tabulated below:

	2009	2008
	Rupees in thousand	
Security deposits	**276**	266
Trade debts	**50,106**	50,788
Due from Associated Companies	**6,145**	4,804
Other receivables	**0**	98
Trade deposits	**20**	3,726
Bank balances	**476**	404
	57,023	60,086

All the trade debts at the balance sheet date represent domestic parties.

The ageing of trade debts at the year-end was as follows:

Not past due	**33,941**	34,954
Past due 1 - 30 days	**5,871**	2,859
Past due 30 - 150 days	**10,294**	12,975
	50,106	50,788

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.8,634 thousand have been realised during July, 2009 and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

In respect of amounts due from Associated Companies, due to the Company's long standing business relationship with them, management does not expect non-performance by Associated Companies on their obligations to the Company.

35.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2009			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	---------- Rupees in thousand ----------			
Liabilities against assets subject to finance lease	**3,344**	**4,049**	**2,044**	**2,005**
Short term finances	**109,414**	**117,538**	**117,538**	**0**
Trade and other payables	**40,991**	**40,991**	**40,991**	**0**
	153,749	**162,578**	**160,573**	**2,005**

	2008			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	---------- Rupees in thousand ----------			
Liabilities against assets subject to finance lease	3,744	4,406	2,261	2,145
Short term finances	33,121	35,078	35,078	0
Trade and other payables	32,665	32,665	32,665	0
	69,530	72,149	70,004	2,145

The contractual cash flows relating to the above financial liabilities have been determined on the basis of profit / mark-up rates effective at the respective year-ends. The rates of profit / mark-up have been disclosed in the respective notes to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

The Company is exposed to currency risk on import of raw materials and stores & spares denominated in US Dollar. The Company's exposure to foreign currency risk for US Dollar is as follows:

	2009	2008
	Rupees in thousand	
Bills payables	**11,309**	8,842
Outstanding letters of credit	**19,579**	16,457
Net exposure	**30,888**	25,299

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2009	2008	**2009**	2008
US $ to Rupee	**78.89**	62.77	**81.30**	68.20

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against Dollar with all other variables held constant, (loss) / profit after taxation for the year would have been higher / lower by the amount shown below mainly as a result of foreign exchange loss on translation of financial liabilities.

	2009	2008
Effect on (loss) / profit for the year:	**(Rupees in thousand)**	
US $ to Rupee	**1,131**	884

The weakening of Rupee against Dollar would have had an equal but opposite impact on the (loss) / profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and liabilities of the Company.

(b) Interest rate risk

At the reporting date, the profit and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2009	2008	**2009**	2008
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	-	**53**	0
Variable rate instruments				
Financial liabilities				
Liabilities against assets subject to finance lease	**15.86 to 21.20**	14.00 to 15.86	**3,344**	3,744
Short term finances	**11.82 to 16.52**	11.47 to 11.89	**109,414**	33,121

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in profit and mark-up rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in profit and mark-up rates at the balance sheet date would have decreased / (increased) loss / (profit) for the year by the amounts shown below. The analysis is performed on the same basis for the year 2008.

	Increase	**Decrease**
	(Rupees in thousand)	
As at 30 June, 2009		
Cash flow sensitivity-Variable rate financial liabilities	**(47)**	**47**
As at 30 June, 2008		
Cash flow sensitivity-Variable rate financial liabilities	(12)	12

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and liabilities of the Company.

35.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. 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.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Directors		Executives	
	2009	2008	**2009**	2008	**2009**	2008
	------------------------ **Rupees in thousand**					--------------------------
Remuneration (including bonus)	**2,030**	2,836	**4,584**	2,501	**3,346**	774
Retirement benefits - gratuity	**319**	134	**1,347**	139	**163**	53
House rent	**216**	216	**1,299**	540	**0**	0
Insurance	**2**	11	**2**	2	**20**	18
Reimbursement of medical and other expenses	**121**	80	**86**	12	**84**	57
Utilities	**144**	144	**331**	274	**0**	0
	2,832	3,421	**7,649**	3,468	**3,613**	902
Number of persons	**1**	1	**3**	3	**2**	1

36.1 The chief executive, working directors and executives have been provided with free use of the Company maintained cars and accommodation. The chief executive and working directors have also been provided with free use of residential telephone.

36.2 Remuneration of one of the working directors represents the Company's share of remuneration transferred by the Associated Companies.

36.3 In addition to above, meeting fees of Rs.193 thousand (2008: Rs.96 thousand) were also paid to seven (2008: seven) non-working directors.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 Related parties comprise of Associated Companies, directors and executives. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remuneration of chief executive, directors and executives are disclosed in note 36. Aggregate transactions with Associated Companies during the year were as follows:

	2009	2008
	(Rupees in thousand)	
- purchase of goods and services	**5,970**	4,381
- mark-up earned	**204**	619
- mark-up charged	**90**	45
- management charges:		
- paid	**2,613**	2,321
- received	**832**	286
- insurance claim received	**136**	11

37.2 The Company's shareholders, vide a special resolution, have authorised the chief executive to advance loans upto Rs.5.0 million to any of the Companys associates to meet the business transactions involving payment / reimbursement of branch office / other expenses incurred on the Company's behalf.

37.3 Mark-up has been earned and charged at the rates ranging from 14.77% to 17.52% (2008: 11.47% to 11.89%) and 11.82% to 16.52% (2008: 11.42% to 12.02%) per annum respectively calculated on daily product basis on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Limited as these balances have arisen on account of insurance premium payable.

38. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2009	2008
	Rupees in thousand	
Total borrowings	**112,758**	36,865
Less: Cash and bank balances	**765**	557
Net debt	**111,993**	36,308
Total equity	**312,510**	313,718
Total capital	**424,503**	350,026
Gearing ratio	**26%**	10%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of liabilities against assets subject to finance lease and short term finances under mark-up arrangements.

39. CAPACITY AND PRODUCTION

	2009	2008
Yarn		
Number of spindles installed	**3,346**	2,898
Number of spindles/shifts worked	**2,081,950**	2,180,250
Installed capacity at 5 Nm count (Kgs.)	**1,610,280**	1,595,099
Actual production converted into 5 Nm count (Kgs.)	**1,281,733**	1,378,895
Number of shifts worked	**913**	946
Cloth		
Number of looms installed	**46**	46
Number of looms/shifts worked	**31,001**	34,580
Installed capacity of 46 (2008: 46) operational looms at 30 picks (Meters) (single shift)	**1,634,798**	1,634,798
Actual production converted into 30 picks (Meters) (03 shifts)	**1,521,667**	1,797,135
Number of shifts worked	**861**	951

It is difficult to describe precisely the production capacity in spinning / weaving mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist per inch, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 08 October, 2009 by the board of directors of the Company.

41. FIGURES

Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

Corresponding figures, except that commission on sales which was netted-off against sales during the preceding year has been grouped under the head of distribution cost in these financial statements, have neither been rearranged nor reclassified.

Muhammad Azhar Khan
Chief Executive

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Director

BANNU WOOLLEN MILLS LIMITED

FORM OF PROXY

I/We ____ of ________________________ being in the district of ________________________ being a member of Bannu Woollen Mills Limited and holder of ________________________ Ordinary Shares as per the Share Register Folio No. ______________ and /or CDC Participant I.D. No. ____________________ and Sub-Account No. ____________________ hereby appoint ____________________ of ____________________ or failing him/her ____________________________ as my/our proxy to vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 31st October 2009 at 10:45 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this .... day of .... 2009.

Signed by the said member in the presence of ____________

2. As witness my hand this .... day of .... 2009.

Signed by the said member in the presence of ____________

Please affix five rupees revenue stamp

Signatures of member

Please fill in the applicable columns:

For Physical shares	For CDC Account Holders		Shares Held
Folio No.	CDC Participant I.D. No.	Sub Account No.	

Note:

A member entitle to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy needs not to be a member of Company.

If a member is unable to attend the meeting, he may complete and sign this form and send it the Company Secretary, Bannu Woollen Mills Limited C/O Janana De Malucho Textile Mills Limited, Habibabad, Kohat so as to reach not less than 48 hours before the time appointed for holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

In addition to the above the following requirements have to be met.

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC No. shall be stated on the forms.
2. Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3. The proxy shall produce his original CNIC or original passport at the time of the meeting.
4. in case of corporate entity, the Board of Directors resolution/power of attorney with attested specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.