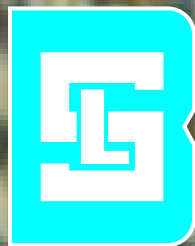


**54th**  
**Annual Report**  
**2014**

BIBOJEE GROUP



**BANNU**  
**WOOLLEN MILLS LIMITED**

# Bannu Woollen Mills Ltd.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## CONTENTS

	Pages
COMPANY'S PROFILE .....	2
VISION STATEMENT .....	3
NOTICE OF ANNUAL GENERAL MEETING .....	4
DIRECTORS' REPORT TO MEMBERS .....	6
KEY OPERATING & FINANCIAL DATA .....	11
PATTERN OF SHAREHOLDING .....	12
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE ..	15
REVIEW REPORT .....	18
AUDITORS' REPORT .....	19
BALANCE SHEET .....	20
PROFIT & LOSS ACCOUNT .....	21
CASH FLOW STATEMENT .....	22
STATEMENT OF CHANGES IN EQUITY .....	23
NOTES TO THE FINANCIAL STATEMENTS .....	24

## COMPANY'S PROFILE

Board Of Directors	Mr. Raza Kuli Khan Khattak Lt. Gen. (Retd) Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Mrs. Zeb Gohar Ayub Dr. Shaheen Kuli Khan Syed Zubair Ahmed Shah (NIT) Mr. Ahmad Zeb Khan (Independent)	Chairman Chief Executive
Audit Committee	Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Mr. Ahmad Zeb Khan	Chairman Member Member Member
Human Resource & Remuneration Committee	Lt. Gen. (Retd) Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA	Chairman Member / CEO Member Member
Company Secretary	Mr. Amin-Ur-Rasheed B.Com (Hons) FICS Sr. General Manager Corporate Affairs	
Chief Financial Officer	Mr. A.R. Tahir Chief Operating Officer (COO)	
Head of Internal Audit	Mr. Salman Khan	
Auditors	M/S. Hameed Chaudhri & Co. Chartered Accountants	
Bankers	National Bank of Pakistan Bank Alfalah Ltd.	
Legal Adviser	M/S Hassan & Hassan, Advocates Paaf Building, 1-D, Kashmir/ Egerton Road, Lahore	
Tax Consultant	M. Nawaz Khan & Co 1-Ground Floor, Farrah Centre, 2 Mozang Road, Lahore	
Registrars & Shares Registration Office	Management & Registration Services (Pvt) Limited. Business Executive Centre, F/17/3, Block 8, Clifton, Karachi Phone 021-35369174, 35375127-29 Fax. 021-35820325 E-Mail registrationservices@live.co.uk	
Registered Office	Bannu Woollen Mills Ltd D.I.Khan Road, Bannu Tel. (0928) 615131, 611350 Fax. (0928) 611450 E-Mail bannuwoollen@yahoo.com Web Site " www.bwm.com.pk "	
Mills	D.I.Khan Road, Bannu Tel. (0928) 613151, 611350 Fax (0928) 611450 E-Mail bannuwoollen@yahoo.com Web Site " www.bwm.com.pk "	

## 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.

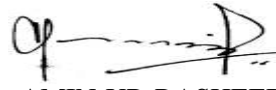
WE SHALL STRIVE TO INNOVATE AND INTRODUCE ALTERNATE USES OF PRODUCTS TO BROADEN OUR CUSTOMER BASE TO HELP STRENGTHEN THE PHYSICAL INFRASTRUCTURE OF THE COUNTRY.”

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 54<sup>th</sup> Annual General Meeting of the Shareholders of Bannu Woollen Mills Limited will be held at the registered office of the Company, Bannu Woollen Mills Ltd., D.I. Khan Road, Bannu on **Wednesday the 29<sup>th</sup> October, 2014 at 8:00 A.M.** to transact the following business.

1. To confirm the minutes of Extra Ordinary General Meeting held on 31<sup>st</sup> March 2014.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30<sup>th</sup> June 2014 together with the directors' and auditors' reports thereon.
3. To appoint auditors for the year ending 30<sup>th</sup> June 2015 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

By order of the Board



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

Bannu  
Dated: 06<sup>th</sup> October, 2014

**NOTES:**

**BOOK CLOSURE:**

1. The Share transfer books of the Company shall remain closed from 22<sup>nd</sup> October, 2014 to 28<sup>th</sup> October, 2014 (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 21<sup>st</sup> October, 2014 will be considered in order for registration in the name of the transferees.

**INSTRUCTION FOR CDC ACCOUNT HOLDERS:**

2. 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 entering the meeting premises.
  - 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.
3. Shareholders are requested to submit details of CNIC alongwith its copy of our share Registrar in order to comply with requirements of SECP SRO 831 (1) 2012 dated July 02, 2012.
4. SECP vide SRO 787 (1) 2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements alongwith notice of Annual General Meeting electronically through e-mail. Hence, members who are interested in receiving the annual reports and notice of annual general meeting electronically in future are required to submit their e-mail address and consent for electronic transmission to the share registrar.
5. Members are requested to communicate to the Company's Registrar any change in their addresses.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Bannu Woollen Mills Ltd. take pleasure in presenting the Directors' report along with 54th annual report and audited financial statements for the year ended June 30, 2014.

### FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR, 2014

We are pleased to report that your Company has earned net profit of Rs. 131.640 million after incorporating share of profit of Associated Companies and taxation. The actual profit before these adjustments for the year ended 30th June, 2014 amounts to Rs. 89.981 million as compared to profit (re-stated) of Rs. 90.763 million of the year 2013. The net sales declined by 2.33% attaining revenue of Rs. 788.882 million during the year under review (2013: Rs. 807.725 million).

### FINANCIAL RESULTS

Current year's results compared with last year are given as under:

	(Re-stated)	
	Year ended June 30,	
	2014	2013
	(Rupees in thousands)	
<b>Sales - Net</b>	<b>788,882</b>	807,725
<b>Gross Profit</b>	<b>226,353</b>	230,434
<b>Profit from Operations</b>	<b>97,376</b>	101,697
<b>Profit before Taxation</b>	<b>152,076</b>	176,130
<b>Profit after Taxation</b>	<b>131,640</b>	146,067
	----- Rupees -----	
<b>Earnings per Share</b>	<b>13.85</b>	15.37

### OPERATING PERFORMANCE

With the installed capacity of 3,346 woollen spindles and 50 shuttle less looms (2013: capacity was 3,346 woollen spindles and 50 shuttle less looms), the Company has produced 1,347,944 Kgs of 5 Nm of count yarn and 2,063,578 meters cloth based on 30 picks in year under review as compared to 1,372,771 Kgs of 5 Nm of count yarn and 1,769,815 meters cloth based on 30 picks for the year ended 30th June, 2013. Production efficiency increased by 293,763 meters (16.60%) as compared to year 2013.

### DIVIDENDS AND APPROPRIATIONS

Considering the current financial position, the board of directors recommended Rs. Nil cash dividend (June 30, 2013: 25% bonus shares in proportion of twenty five shares for every hundred shares held by the existing shareholders of the company out of revenue reserve).

**FUTURE PROSPECTS**

The Company during the year under review has installed a new caterpillar diesel generator to meet load shedding problem and two Chinese card machines to compensate the declining in-house spinning production on vintage machinery. The management has also prepared 20 years plan for old machinery to be replaced with new and automated machinery in phases of five years, to produce more competitive products to capture the market share, meet customers' needs and focusing on quality that clearly sets us apart is consistently delivering on our commitments, which is fully endorsed by all our stakeholders. We have earned this reputation through organized and highly disciplined governance that guides every strategy.

The political impasse caused by the sit-ins have caused a loss of Rs. 1,000 billion to the economy which may further unnerve the investors. The devaluation of rupee against the US dollar and the constantly fluctuating exchange rate have increased the foreign currency exposure. Before the political crisis struck the country, the rupee-dollar parity was Rs. 98.7 to a dollar that has now gone over Rs.102 to a dollar and the Company is exposed to currency risk on import of plant & machinery, raw materials and stores & spares denominated in U.S. \$. As social stability and development issues are directly linked to the economic sustainability in the country. The current situation may directly impact the sales revenue of the Company for coming year and resultantly may hamper the financial results.

Going forward, we remain committed to improve the way we work, to be more professional, efficient and profitable to deliver sustained return to our shareholders in a well diversified manner.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Board regularly reviews the Company's strategic direction. Annual plans and performance targets for business as are set by Chief Executive and reviewed in total by the Board in the light of Company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Company has been in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly listing regulations of stock exchanges.

Following are the statements on Corporate and Financial Reporting Framework:

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 in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. Proper books of account of Bannu Woollen Mills Limited have been maintained.
4. International accounting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed.



5. The Board has set-up an effective internal audit function who 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.
6. The system of internal controls is sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
9. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at 30 June, 2014, except for those disclosed in the financial statements.

### **COMMUNICATION**

The Company places great importance on the communication with the shareholders. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company's activities are updated on its web site ([www.bwm.com.pk](http://www.bwm.com.pk)), on timely basis.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Company considers social, environmental and ethical matters in the context of the overall business environment. The Company is committed to make conscious effort to consider and balance the interest of all stakeholders, in particular the community in which we live and who form our customer base.

### **HUMAN RESOURCE MANAGEMENT**

Human resource planning and management is one of the most important focus point at the highest management level. The Company has a Human Resource and Remuneration Committee which is involved in selection, evaluation, compensation and succession planning of key personnel. It is also involved in recommending improvements in Company's human resource policies & procedures and their periodic review.

### **BOARD AUDIT COMMITTEE**

Audit Committee was established by the Board to assist the Directors in discharging their responsibilities for Corporate Governance, Financial Reporting Framework and Corporate Control. The Committee consist of four persons. Majority of members including Chairman of the Committee are non-executive directors.

The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

The Audit committee has reviewed the quarterly, half-yearly and annual financial statements, besides the internal audit plan, material audit findings and recommendation of internal auditor.

In addition to above meetings, Audit Committee also met with external auditors without Chief Financial Officer and Head of Internal Audit.

### MEETINGS OF BOARD AND ITS COMMITTEES IN 2013-14

During the year 2013-14 five board meetings, four audit committee and one HR & Remuneration committee meetings were held. The number of meetings attended by each director during the year is given here under:

Sr. No.	Director	Status	Committee Members		Attendance		
			Board Audit Committee	HR & Remuneration Committee	Board Meetings	Board Audit Committee	HR & Remuneration Committee
1.	Mr. Raza Kuli Khan Khattak	Re-elected on March 31, 2014	-	-	5 / 5	-	-
2.	Lt. Gen (Retd.) Ali Kuli Khan Khattak	Re-elected on March 31, 2014	✓	✓	5 / 5	4 / 4	1 / 1
3.	Mrs. Shahnaz Sajjad Ahmed	Re-elected on March 31, 2014	-	✓	5 / 5	-	1 / 1
4.	Mr. Ahmed Kuli Khan Khattak	Re-elected on March 31, 2014	✓	✓	4 / 5	4 / 4	1 / 1
5.	Mr. Mushtaq Ahmed Khan, FCA	Re-elected on March 31, 2014	✓	✓	5 / 5	4 / 4	1 / 1
6.	Mrs. Zeb Gohar Ayub	Re-elected on March 31, 2014	-	-	3 / 5	-	-
7.	Dr. Shaheen Kuli Khan Khattak	Re-elected on March 31, 2014	-	-	3 / 5	-	-
8.	Syed Zubair Ahmed (NIT)	Re-elected on March 31, 2014	-	-	5 / 5	-	-
9.	Mr. Sher Ali Khan (SLIC)	Retired on March 31, 2014	-	-	3 / 3	-	-
10.	Mr. Ahmed Zaib Khan (Independent)	Elected on March 31, 2014	✓	-	2 / 2	1 / 1	-

Leave of absence was granted to the directors unable to attend the board meetings.

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, 2014.

### KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)

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

### PATTERN OF SHAREHOLDING

The statement of pattern of shareholding of the Company as at June 30, 2014 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.

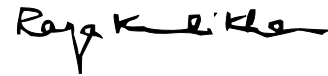
**APPOINTMENT OF AUDITORS**

The Company's auditors M/s Hameed Chaudhri & Co., Chartered Accountants, HM House, 7 Bank Square, Lahore retire and being eligible, offer themselves for reappointment. The Board and Board Audit Committee have recommended that the retiring auditors be reappointed.

**THANKS AND APPRECIATION**

We would like to place on record deep appreciation for the efforts of the executives, officers and other staff members and workers for their hard work, co-operation and sincerity to the Company in achieving the best possible results. The Board also wishes to place on record the appreciations to all banks, customers and suppliers for continued support to the Company with zeal and dedication. The Management is quite confident that these relations and co-operation will continue in the years to come.

For & on behalf of Board of Directors



**RAZA KULI KHAN KHATTAK**  
Chairman

Dated: 20 September, 2014

**KEY OPERATING AND FINANCIAL DATA**  
**SIX YEARS SUMMARY**

Rs. In million

	2014	2013	2012	2011	2010	2009
	----- Re-stated -----					
Sales (Net)	<b>788.882</b>	807.725	663.406	569.195	415.428	391.280
Gross Profit	<b>226.353</b>	230.434	192.515	177.469	113.327	96.011
Operating Profit	<b>97.376</b>	101.697	101.100	98.667	51.003	45.299
Profit Before Taxation	<b>152.076</b>	176.130	135.691	143.757	94.268	9.709
Taxation	<b>20.436</b>	30.063	(1.469)	(1.180)	6.915	14.976
Profit / (loss) After Taxation	<b>131.640</b>	146.067	137.160	144.937	87.353	(5.267)
Dividend	<b>0%</b>	* 25%	30%	50%	20%	0%
Earning / (Loss) Per Share	<b>13.85</b>	15.37	18.04	19.06	11.49	(0.69)
Break Up Value Per Share	<b>94.88</b>	99.49	85.96	72.68	54.54	41.09
Non-Current Assets	<b>1,228.315</b>	1,111.966	1,025.078	960.393	559.793	500.529
Current Assets	<b>689.877</b>	674.155	457.201	449.985	354.769	301.386
Total Assets	<b>1,918.192</b>	1,786.121	1,482.279	1,410.378	914.562	801.915
Share Capital	<b>95.063</b>	76.050	76.050	76.050	76.050	76.050
Revenue Reserves	<b>806.860</b>	680.547	561.921	476.650	338.704	236.460
Equity	<b>901.923</b>	756.597	637.971	552.700	414.754	312.510
Surplus on revaluation of property, plant and equipment	<b>563.214</b>	569.656	576.730	569.107	238.868	241.027
Non-Current Liabilities	<b>235.050</b>	205.114	179.208	125.273	98.757	82.914
Current Liabilities	<b>218.005</b>	254.754	88.370	163.298	162.183	165.464
	<b>453.055</b>	459.868	267.578	288.571	260.940	248.378
Total liabilities	<b>1,918.192</b>	1,786.121	1,482.279	1,410.378	914.562	801.915

\* Bonus Shares

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

**PATTERN OF SHAREHOLDING**

1. CUIIN (Incorporation Number) **0 0 0 1 0 8 0**


2. Name of the Company **BANNU WOOLLEN MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **3 0 0 6 2 0 1 4**

4. No of shareholders	Shareholdings	Total shares held
203	shareholding from 1 to 100 shares	6,143
212	shareholding from 101 to 500 shares	61,361
116	shareholding from 501 to 1000 shares	89,389
217	shareholding from 1,001 to 5,000	493,917
38	shareholding from 5,001 to 10,000	289,252
16	shareholding from 10,001 to 15,000	198,637
9	shareholding from 15,001 to 20,000	162,252
3	shareholding from 20,001 to 25,000	70,152
3	shareholding from 25,001 to 30,000	84,056
5	shareholding from 30,001 to 35,000	166,396
5	shareholding from 35,001 to 40,000	189,039
3	shareholding from 40,001 to 45,000	127,747
1	shareholding from 45,001 to 50,000	50,000
1	shareholding from 50,001 to 55,000	54,076
2	shareholding from 55,001 to 60,000	113,090
2	shareholding from 60,001 to 65,000	126,875
1	shareholding from 70,001 to 75,000	74,290
1	shareholding from 75,001 to 80,000	75,097
2	shareholding from 80,001 to 85,000	163,926
2	shareholding from 90,001 to 95,001	180,748
1	shareholding from 95,001 to 100,000	95,062
2	shareholding from 100,001 to 105,000	201,638
1	shareholding from 120,001 to 125,000	123,318
1	shareholding from 225,001 to 230,000	225,732
1	shareholding from 315,001 to 320,000	318,500
1	shareholding from 410,001 to 415,000	411,957
1	shareholding from 465,001 to 470,000	468,137
1	shareholding from 730,001 to 735,000	731,626
1	shareholding from 1,655,001 to 1,660,000	1,658,625
1	shareholding from 2,495,001 to 2,500,000	2,495,212
<b>853</b>	<b>Total</b>	<b>9,506,250</b>

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	1,127,494	11.86
5.2. Associated Companies, undertakings and related parties.	3,235,738	34.04
5.3 NIT and ICP	469,074	4.93
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,500	0.02
5.5 Insurance Companies	N.A	N.A
5.6 Modarabas and Mutual Funds	N.A	N.A
5.7 Share holders holding 10% Bibojee Services (Pvt.) Ltd Treet Corporation Ltd.	2,495,212 1,658,625	26.25 17.45
5.8 General Public		
a. Local	2,670,591	28.09
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	1,770,895	18.63
NBP Employees Pension Fund	42,797	0.45
NBP Employees Benevolent Fund	1,501	0.02
Trust	2,660	0.03
Trustee Treet Provident Fund	4,500	0.05
Trustee Treet Gratuity Fund	33,000	0.35
Trustee-Treet corp. Ltd. Group employees superannuation fund	37,000	0.39
Trustees Treet Corp Ltd Trust Fund	79,500	0.83
Trustees Treet Corp Ltd Employees Service Fund	30,000	0.31

6. Signature of Secretary



7. Name of Signatory

**AMIN-UR-RASHEED**

8. Designation

Company Secretary & Sr. 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	1	4

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 MILL S LTD,	731,626
M/S.BIBOJEE SERVICES (PVT) LTD.	2,495,212
M/S UNIVERSAL INSURANCE CO. LTD,	8,940
2. N.I.T. & I.C.P:	
M/S.INVESTMENT CORPORATION OF PAKISTAN	937
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	468,137
3. DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
MR.RAZA KULI KHAN KHATTAK, Chairman	56,573
MRS.SHAHIDA KHATOON	63,375
W/O MR. RAZA KULI KHAN KHATTAK	
LT.GEN. (RETD) ALI KULI KHAN KHATTAK Director	54,076
MRS.NELOFAR ALI KULI KHAN	95,062
W/O LT.GEN. (RETD) ALI KULI KHAN KHATTAK	
MR.AHMED KULI KHAN KHATTAK Director	56,517
MRS.NASREEN AHMED KULI KHAN	101,238
W/O MR.AHMED KULI KHAN KHATTAK	
MR.MUSHTAQ AHMED KHAN (FCA) Director	*411,957
MRS.SAEEDA MUSHTAQ	19,687
W/O MR. MUSHTAQ AHMAD KHAN, FCA	
MRS.ZEB GOHAR AYUB Director	33,746
MRS.SHAHNAZ SAJJAD AHMED Chief Executive	111,435
DR. SHAHEEN KULI KHAN Director	123,318
MR. AHMAD ZEB KHAN Director	10
SYED ZUBAIR AHMAD SHAH (NIT) Director	500
4. EXECUTIVES	44,487
5. JOINT STOCK COMPANIES	1,770,895
6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	1,500
7. SHAREHOLDERS HOLDING 10% OR MORE:	
M/S.BIBOJEE SERVICES (PVT) LTD.	2,495,212
M/S. TREET CORPORATION LTD.	1,658,625
8. GENERAL PUBLIC & OTHERS	2,857,062

*\*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 (xi)]

Name of Company **BANNU WOOLLEN MILLS LIMITED**  
Year Ending **30<sup>TH</sup> JUNE 2014**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of 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 CCG 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:

CATEGORY	NAMES
Independent Directors	Mr. Syed Zubair Ahmad (NIT) Mr. Ahmad Zeb Khan
Executive Directors	Mrs. Shahnaz Sajjad Ahmad Mr. Mushtaq Ahmad Khan, FCA
Non-Executive Directors	Mr. Raza Kuli Khan Khattak Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mrs. Zeb Gohar Ayub Dr. Shaheen Kuli Khan Mr. Syed Zubair Ahmad (NIT) Mr. Ahmad Zeb Khan

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident 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 an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30<sup>th</sup> June 2014.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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.

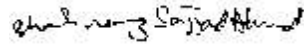


7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings 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. There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30<sup>th</sup> June, 2014.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom one is independent director two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises Four members, of whom two are non-executive directors and the chairman of the committee is a non executive director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Signature  
(Name in block letters)

CNIC Number



MRS. SHAHNAZ SAJJAD AHMAD  
(Chief Executive)

17301-1363131-2

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **BANNU WOOLLEN MILLS LIMITED** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulations of the Karachi and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

LAHORE; September 20, 2014

*Hameed Chaudhri & Co.*  
**HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **BANNU WOOLLEN MILLS LIMITED** (the Company) as at June 30, 2014 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 except for the change in an accounting policy as stated in note 5 to the annexed financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, 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*

**HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS**

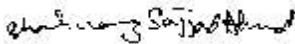
Audit Engagement Partner: Nafees ud din

**LAHORE; September 20, 2014**

**BALANCE SHEET AS AT JUNE 30, 2014**

		(Re-stated)		(Re-stated)
		2014	2013	July 01, 2012
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>Note</b>	-----Rupees in thousand-----		
Property, plant and equipment	6	862,146	814,678	812,768
Investments in Associated Companies	7	362,455	294,480	209,061
Loans and advances	8	300	0	440
Security deposits		3,414	2,808	2,809
		<u>1,228,315</u>	<u>1,111,966</u>	<u>1,025,078</u>
<b>Current assets</b>				
Stores and spares	9	38,637	32,121	28,759
Stock-in-trade	10	416,380	346,097	331,816
Trade debts	11	204,214	243,549	51,557
Current portion of loans and advances	8	240	375	1,560
Advances to employees - unsecured, considered good		2,301	1,891	1,218
Advance payments		1,700	432	846
Trade deposits and prepayments	12	216	140	362
Due from Associated Companies		0	0	951
Accrued mark-up		0	0	871
Other receivables		0	607	0
Sales tax refundable		7,262	11,662	10,379
Income tax refundable, advance tax and tax deducted at source		17,644	35,932	27,429
Cash and bank balances	13	1,283	1,349	1,453
		<u>689,877</u>	<u>674,155</u>	<u>457,201</u>
<b>TOTAL ASSETS</b>		<u>1,918,192</u>	<u>1,786,121</u>	<u>1,482,279</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Authorised capital</b>				
20,000,000 (2013: 10,000,000) ordinary shares of Rs.10 each		200,000	100,000	100,000
Issued, subscribed and paid-up capital	14	95,063	76,050	76,050
Reserves	15	705,500	562,000	438,500
Unappropriated profit		101,360	118,547	123,421
<b>Shareholders' equity</b>		<u>901,923</u>	<u>756,597</u>	<u>637,971</u>
<b>Surplus on revaluation of property, plant and equipment</b>	16	563,214	569,656	576,730
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Demand finances	17	12,500	0	0
Staff retirement benefits - gratuity	18	139,163	120,830	89,275
Deferred taxation	19	83,387	84,284	89,933
		<u>235,050</u>	<u>205,114</u>	<u>179,208</u>
<b>Current liabilities</b>				
Trade and other payables	20	89,648	70,351	66,542
Accrued mark-up	21	1,009	2,079	3,040
Short term finances	22	94,779	146,997	18,059
Current portion of demand finances	17	10,000	0	0
Taxation	23	22,569	35,327	729
		<u>218,005</u>	<u>254,754</u>	<u>88,370</u>
<b>Total liabilities</b>		<u>453,055</u>	<u>459,868</u>	<u>267,578</u>
<b>Contingencies and commitments</b>	24			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,918,192</u>	<u>1,786,121</u>	<u>1,482,279</u>

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

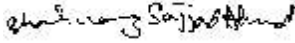
  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees in thousand	(Re-stated) 2013
<b>Sales</b>	25	788,882	807,725
<b>Cost of Sales</b>	26	562,529	577,291
<b>Gross Profit</b>		<u>226,353</u>	<u>230,434</u>
<b>Distribution Cost</b>	27	33,071	35,369
<b>Administrative Expenses</b>	28	88,353	87,626
<b>Other Expenses</b>	29	9,489	8,509
<b>Other Income</b>	30	(1,936)	(2,767)
		<u>128,977</u>	<u>128,737</u>
<b>Profit from Operations</b>		<u>97,376</u>	<u>101,697</u>
<b>Finance Cost</b>	31	7,395	10,934
		<u>89,981</u>	<u>90,763</u>
<b>Share of Profit of Associated Companies</b>	7	62,095	85,367
<b>Profit before Taxation</b>		<u>152,076</u>	<u>176,130</u>
<b>Taxation</b>	32	20,436	30,063
<b>Profit after Taxation</b>		<u>131,640</u>	<u>146,067</u>
<b>Other Comprehensive Loss</b>			
Items that will not be reclassified to profit or loss:			
- gain / (loss) on remeasurement of staff retirement benefit obligation		322	(12,865)
- share of other comprehensive loss of Associated Companies (net of taxation)		(5,442)	(677)
		<u>(5,120)</u>	<u>(13,542)</u>
<b>Total Comprehensive Income</b>		<u>126,520</u>	<u>132,525</u>
		----- Rupees -----	
<b>Earnings per Share</b>	33	<u>13.85</u>	<u>15.37</u>

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

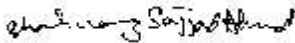
  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit for the year - before taxation and share of profit on investments in Associated Companies	89,981	90,763
Adjustments for non-cash and other charges:		
Depreciation	34,745	33,327
Unclaimed payable balances written-back	(56)	(10)
Staff retirement benefits - gratuity (net)	18,655	18,690
Mark-up on bank deposits and dealers' balances	(1,040)	(2,082)
Finance cost	7,395	10,934
Workers' welfare fund	1,775	2,049
<b>Profit before working capital changes</b>	<b>151,455</b>	<b>153,671</b>
<b>Effect on cash flow due to working capital changes</b>		
Decrease / (increase) in current assets		
Stores and spares	(6,516)	(3,362)
Stock-in-trade	(70,283)	(14,281)
Trade debts	39,335	(191,992)
Loans and advances	(575)	952
Advance payments	(1,268)	414
Trade deposits and prepayments	(76)	222
Due from Associated Companies	0	951
Other receivables	607	(607)
Sales tax refundable	4,400	(1,283)
Increase in trade and other payables	19,654	1,644
	<b>(14,722)</b>	<b>(207,342)</b>
<b>Cash generated from / (used in) operations</b>	<b>136,733</b>	<b>(53,671)</b>
Taxes paid	(16,811)	(8,503)
<b>Net cash generated from / (used in) operating activities</b>	<b>119,922</b>	<b>(62,174)</b>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(82,213)	(35,237)
Security deposits	(606)	0
Mark-up received on bank deposits and dealers' balances	1,040	2,953
<b>Net cash used in investing activities</b>	<b>(81,779)</b>	<b>(32,284)</b>
<b>Cash flow from financing activities</b>		
Demand finances - net	22,500	0
Short term finances - net	(52,218)	128,938
Dividend paid	(26)	(22,689)
Finance cost paid	(8,465)	(11,895)
<b>Net cash (used in) / generated from financing activities</b>	<b>(38,209)</b>	<b>94,354</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(66)</b>	<b>(104)</b>
<b>Cash and cash equivalents - at beginning of the year</b>	<b>1,349</b>	<b>1,453</b>
<b>Cash and cash equivalents - at end of the year</b>	<b>1,283</b>	<b>1,349</b>

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

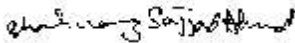
  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

	Share capital	Reserves			Unappropriated profit	Total
		Capital	Revenue	Sub-total		
		Share premium	General			
<b>Rupees in thousand</b>						
Balance as at July 01, 2012 - as previously reported	76,050	19,445	419,055	438,500	146,787	661,337
Effect of change in accounting policy with respect to accounting for recognition of actuarial loss on staff retirement benefits scheme - gratuity (note 5)	0	0	0	0	(23,366)	(23,366)
Balance as at July 01, 2012 - as restated	76,050	19,445	419,055	438,500	123,421	637,971
Transfer	0	0	123,500	123,500	(123,500)	0
<b>Transaction with owners:</b>						
Final cash dividend for the year ended June 30, 2012 at the rate of Rs. 3 per share	0	0	0	0	(22,815)	(22,815)
<b>Total comprehensive income for the year ended June 30, 2013:</b>						
- profit for the year	0	0	0	0	146,067	146,067
- other comprehensive loss	0	0	0	0	(13,542)	(13,542)
	0	0	0	0	132,525	132,525
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	8,188	8,188
Effect of items directly credited in equity by Associated Companies - restated	0	0	0	0	728	728
Balance as at June 30, 2013 - as restated	76,050	19,445	542,555	562,000	118,547	756,597
Transfer	0	0	143,500	143,500	(143,500)	0
<b>Transaction with owners:</b>						
Nominal value of bonus shares issued	19,013	0	0	0	(19,013)	0
<b>Total comprehensive income for the year ended June 30, 2014:</b>						
- profit for the year	0	0	0	0	131,640	131,640
- other comprehensive loss	0	0	0	0	(5,120)	(5,120)
	0	0	0	0	126,520	126,520
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	7,483	7,483
Effect of items directly credited in equity by Associated Companies	0	0	0	0	11,323	11,323
<b>Balance as at June 30, 2014</b>	<b>95,063</b>	<b>19,445</b>	<b>686,055</b>	<b>705,500</b>	<b>101,360</b>	<b>901,923</b>

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

  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. LEGAL STATUS AND OPERATIONS**

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 and its Mills are located at D.I.Khan Road, Bannu.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various 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) Property, plant and equipment**

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

**(b) Stores & spares and stock-in-trade**

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

**(c) Provision for impairment of trade debts**

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

**(d) Staff retirement benefits - gratuity**

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 18.

**(e) Income taxes**

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

2.5 No critical judgment has been used in applying the accounting policies.

**3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS****3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on July 01, 2013:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit obligation by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

### **3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

### **3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

The following new standards and amendments to published approved standards are not effective (although available for early adoption) for the financial year beginning on July 01, 2013 and have not been early adopted by the Company:

IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting periods beginning on or after January 01, 2014. This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The Company shall apply this amendment from July 01, 2014 and does not expect to have a material impact on its financial statements.

IFRS 9 'Financial Instruments - Classification and Measurement' is applicable on accounting periods beginning on or after January 01, 2015. This standard is yet to be notified by SECP. IFRS 9 replaces the parts of IAS 39 'Financial Instruments: Recognition and Measurement', that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The Company does not expect to have a material impact on its financial statements due to application of this standard.

IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published approved standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted 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.

### **4.1 Property, plant and equipment and depreciation**

These, other than freehold land, buildings on freehold land, plant & machinery and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. 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 prior years. Surplus arisen on revaluation of these assets has been credited to 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 equity.

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 at the rates stated in Note 6.1. 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 property, plant and equipment 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.

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.

#### **4.2 Investments in Associated Companies**

Investments in Associated Companies are accounted for by 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 profit or loss of the Associated Companies after the date of acquisition. The Company's share of 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 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 investments 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.

#### **4.3 Stores and spares**

Stores and spares are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

#### 4.4 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
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.

Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

#### 4.5 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

#### 4.6 Cash and cash equivalents

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

#### 4.7 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

#### 4.8 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement 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 June 30, 2014 on the basis of the projected unit credit method by an independent Actuary.

#### 4.9 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

#### 4.10 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.

#### 4.11 Taxation

##### (a) Current

Provision for current taxation is based on taxable income / turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalised during the year.

##### (b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4.12 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.

#### 4.13 Financial instruments

Financial instruments include deposits, trade debts, other receivables, bank balances, demand finances, trade & other payables, accrued mark-up and short term finances. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 4.14 Off-setting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

#### 4.15 Foreign currency translations

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

#### 4.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- sales are recorded on dispatch of goods.
- return on deposits is accounted for on 'accrual basis'.
- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

#### 4.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

#### 4.18 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 38 to these financial statements.

### 5. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits - gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' is recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2013	July 01, 2012
	Rupees in thousand	
<b>Impact on Balance Sheet</b>		
Increase in staff retirement benefits- gratuity	<u>35,028</u>	<u>23,366</u>
Decrease in unappropriated profit	<u>(35,028)</u>	<u>(23,366)</u>
<b>Impact on Statement of changes in Equity</b>		
Decrease in unappropriated profit		
- cumulative effect from prior years		<u>23,366</u>
- impact for the year ended	<u>11,662</u>	
<b>Impact on Profit and Loss Account</b>		
Decrease in:		
- cost of sales	428	
- distribution cost	6	
- administrative expenses	769	
Increase in profit after taxation	<u>1,203</u>	
<b>Impact on Other Comprehensive Income</b>		
Item that will not be reclassified to profit or loss		<u>(12,865)</u>

The effect of change in accounting policy, due to application of IAS 19 (Revised), on earnings per share for the year ended June 30, 2013 is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

6. PROPERTY, PLANT AND EQUIPMENT	Note	2014 (Rupees in thousand)	2013
Operating fixed assets - tangible	6.1	860,163	812,988
Capital work-in-progress	6.4	1,983	1,690
		<u>862,146</u>	<u>814,678</u>



## 6.1 Operating fixed assets

	Freehold land		Buildings on freehold land		Plant & machinery	Weight and material handling equipment	Tools and equipment	Furniture and fixtures	Electric fittings	Office equipment	Computers and T.V.	Vehicles	Arms	Total
	Factory	Residential	Others											
As at June 30, 2012														
Cost / revaluation	495,000	29,074	9,794	15,869	430,235	464	15	677	5,955	385	945	22,870	577	1,011,860
Accumulated depreciation	0	2,131	723	3,769	174,336	367	13	375	2,565	284	649	13,803	77	199,092
Book value	495,000	26,943	9,071	12,100	255,899	97	2	302	3,390	101	296	9,067	500	812,768
Year ended June 30, 2013:														
Additions	0	0	5,315	2,389	20,929	0	15	26	147	132	113	1,042	3,439	33,547
Depreciation for the year	0	2,694	986	1,230	25,802	10	1	31	344	12	112	1,883	222	33,327
Book value	495,000	24,249	13,400	13,259	251,026	87	16	297	3,193	221	297	8,226	3,717	812,988
Year ended June 30, 2014:														
Additions	0	6,028	0	0	70,780	0	0	31	437	0	2,759	1,885	0	81,920
Depreciation for the year	0	2,475	1,340	1,326	26,182	9	1	30	332	22	728	1,928	372	34,745
Book value	495,000	27,802	12,060	11,933	295,624	78	15	298	3,298	199	2,328	8,183	3,345	860,163
As at June 30, 2013														
Cost / revaluation	495,000	29,074	15,109	18,258	451,164	464	30	703	6,102	517	1,058	23,912	4,016	1,045,407
Accumulated depreciation	0	4,825	1,709	4,999	200,138	377	14	406	2,909	296	761	15,686	299	232,419
Book value	495,000	24,249	13,400	13,259	251,026	87	16	297	3,193	221	297	8,226	3,717	812,988
As at June 30, 2014														
Cost / revaluation	495,000	35,102	15,109	18,258	521,944	464	30	734	6,539	517	3,817	25,797	4,016	1,127,327
Accumulated depreciation	0	7,300	3,049	6,325	226,320	386	15	436	3,241	318	1,489	17,614	671	267,164
Book value	495,000	27,802	12,060	11,933	295,624	78	15	298	3,298	199	2,328	8,183	3,345	860,163
Depreciation rate (%)	10	10	10	10	10	10	10	10	10	10	30	20	10	

Rupees in thousand

- 6.2** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	<b>2014</b>	2013
	<b>(Rupees in thousand)</b>	
Freehold land	152	152
Buildings on freehold land	21,205	16,919
Plant & machinery	224,174	171,637
	<b>245,531</b>	<b>188,708</b>

- 6.3 Depreciation for the year has been apportioned as under:**

Cost of sales	29,000	28,851
Administrative expenses	5,745	4,476

- 6.4 Capital work-in-progress**

Advance payments:		
- to building contractors	1,760	0
- for purchase of computers	223	0
- for security equipment	0	1,690
	<b>1,983</b>	<b>1,690</b>

- 6.5** Plant and machinery additions for the current year include mark-up aggregating Rs.3.417 million on demand and short term finances; the borrowing cost rates have been disclosed in notes 17 and 22.

- 7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted**

	<b>2014</b>	(Re-stated) 2013
	<b>(Rupees in thousand)</b>	
Babri Cotton Mills Ltd. (BCM)		
144,421 (2013: 144,421) ordinary shares of Rs.10 each - <b>cost</b>	1,632	1,632
Equity held: 3.95% (2013: 3.95%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BCM	22,004	12,975
Profit for the year - net of taxation	3,243	8,530
Share of other comprehensive loss - net of taxation	(185)	(378)
	<b>26,694</b>	<b>22,759</b>
Janana De Malucho Textile Mills Ltd. (JDM)		
1,559,230 (2013:1,559,230) ordinary shares of Rs.10 - <b>cost</b>	27,762	27,762
Equity held: 32.59% (2013: 32.59%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	254,404	167,421
Profit for the year - net of taxation	58,852	76,837
Share of other comprehensive loss - net of taxation	(5,257)	(299)
	<b>335,761</b>	<b>271,721</b>
	<b>362,455</b>	<b>294,480</b>

- 7.1** Market values of the Company's investment in BCM and JDM as at June 30, 2014 were Rs.10.544 million (2013: Rs.9.083 million) and Rs.129.416 million (2013: Rs.101.350 million) respectively.

7.2 Summarised financial information of BCM, based on its audited financial statements for the year ended June 30, 2014, is as follows:

	2014	Re-stated 2013
	(Rupees in thousand)	
- equity as at June 30,	673,113	575,541
- total assets as at June 30,	2,149,359	1,804,133
- total liabilities as at June 30,	869,859	607,915
- revenue for the year ended June 30,	1,927,396	2,064,442
- profit before taxation for the year ended June 30,	113,915	302,660
- profit after taxation for the year ended June 30,	82,020	215,712
- other comprehensive loss for the year ended June 30,	(4,678)	(9,547)

7.3 Summarised financial information of JDM, based on its audited financial statements for the year ended June 30, 2014, is as follows:

- equity as at June 30,	1,023,320	835,584
- total assets as at June 30,	3,576,849	3,339,138
- total liabilities as at June 30,	1,276,033	1,213,328
- revenue for the year ended June 30,	2,983,385	2,714,679
- profit before taxation for the year ended June 30,	249,465	319,789
- profit after taxation for the year ended June 30,	180,597	235,790
- other comprehensive loss for the year ended June 30,	(16,133)	(917)

8. **LOANS AND ADVANCES** - Unsecured

	2014	2013
	(Rupees in thousand)	
<b>House building loan to an executive:</b>		
Opening balance	375	2,000
Add: loan advanced during the year	0	1,000
Less: deductions made during the year	(375)	(2,625)
Closing balance	0	375
Less: recoverable within following twelve months	0	(375)
<b>Advance against salary to an executive:</b>	0	0
Amount advanced during the year	600	0
Less: deductions made during the year	(60)	0
Closing balance	540	0
Less: recoverable within following twelve months	(240)	0
	<u>300</u>	<u>0</u>

Note  
8.1

8.1 The outstanding balance of this interest free house building loan was fully recovered during the year.

8.2 Maximum aggregate amount due from executives at any month-end during the year was Rs.0.600 million (2013: Rs.2.594 million).

8.3 Fair value adjustment as required by IAS 39 (Financial Instruments: Recognition and Measurement) arising in respect of advances made to executives is not considered material and hence not recognised.

<b>9. STORES AND SPARES</b>	<b>Note</b>	<b>2014 (Rupees in thousand)</b>	<b>2013</b>
Stores		9,415	8,944
Spares		31,222	25,177
	<b>9.1</b>	<b>40,637</b>	34,121
Less: provision for slow moving stores and spares		2,000	2,000
		<b>38,637</b>	32,121

**9.1** No inventory was in transit as at June 30, 2014; (inventory valuing Rs.261 thousand was in transit as at June 30, 2013).

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

**10. STOCK-IN-TRADE**

Raw materials:			
- at warehouse	<b>10.1</b>	152,178	146,156
- in transit		41,242	60,600
		<b>193,420</b>	206,756
Work-in-process		23,115	30,401
Finished goods		199,845	108,940
		<b>416,380</b>	346,097

**10.1** No stocks were pledged as at June 30, 2014 as cash finance pledge limit remained unutilised on the aforementioned date; (as at June 30, 2013 raw material stocks valuing Rs.36.768 million were pledged with National Bank of Pakistan as security for short term finance facilities - note 22).

**11. 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 finance facilities as disclosed in note 22.

**12. TRADE DEPOSITS AND PREPAYMENTS**

Prepayments		64	48
Letters of credit		152	92
		<b>216</b>	140
		<b>216</b>	140

**13. CASH AND BANK BALANCES**

Cash-in-hand		2	335
Cash at banks on:			
- current accounts		670	311
- dividend accounts		551	552
- PLS accounts	<b>13.1</b>	60	151
		<b>1,281</b>	1,014
		<b>1,283</b>	1,349

**13.1** These carry profit at the rate of 7% (2013: 5%) per annum.

**14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2014 ---- Numbers ----	2013		2014 (Rupees in thousand)	2013
2,259,375	2,259,375	Ordinary shares of Rs.10 each fully paid in cash	22,594	22,594
7,246,875	5,345,625	Ordinary shares of Rs.10 each issued as fully paid bonus shares	72,469	53,456
<u>9,506,250</u>	<u>7,605,000</u>		<u>95,063</u>	<u>76,050</u>

**14.1 Ordinary shares held by the Associated Companies and an Associate at the year-end:**

	2014	2013
	Numbers of shares	
Janana De Malucho Textile Mills Ltd.	731,626	585,301
Bibojee Services (Pvt.) Ltd.	2,495,213	1,996,170
The Universal Insurance Company Ltd.	8,940	7,152
Waqf-e-Kuli Khan	2,660	2,128
	<u>3,238,439</u>	<u>2,590,751</u>

**15. RESERVES**

<b>Capital</b>	2014	2013
	(Rupees in thousand)	
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
	<u>19,445</u>	<u>19,445</u>
<b>Revenue - general reserve</b>	686,055	542,555
	<u>705,500</u>	<u>562,000</u>

**16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net**

**16.1** The Company had revalued its freehold land on October 01, 1978, May 15, 1999, June 30, 2004 and February 20, 2011. Buildings on freehold land and plant & machinery were revalued on October 01, 1978, June 30, 2004 and February 20, 2011. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.666.039 million.

**16.2** The Company, during the financial year ended June 30, 2012, has again revalued its aforementioned fixed assets. The revaluation exercise has been carried-out by independent Valuers - M/s Yunus Mirza & Co., Architects, Engineers and approved Surveyors, I.I. Chundrigar Road, Karachi. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land and plant & machinery have been revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.17.805 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	2014 (Rupees in thousand)	2013
Opening balance		608,223	620,820
Less: transferred to unappropriated profit on account of incremental depreciation for the year		(11,338)	(12,597)
		<b>596,885</b>	608,223
Less: deferred tax on:			
- opening balance of surplus		38,548	44,090
- incremental depreciation for the year		(3,855)	(4,409)
		<b>34,693</b>	39,681
		<b>562,192</b>	568,542
Resultant adjustment due to reduction in tax rate		1,022	1,114
Closing balance		<b>563,214</b>	569,656
<b>17. DEMAND FINANCES - Secured</b>			
National Bank of Pakistan (NBP)			
Balance as at June 30,	17.1	22,500	0
Less: current portion grouped under current liabilities		(10,000)	0
		<b>12,500</b>	0

**17.1** This demand finance facility has been utilised during the current financial year for import of two woollen condenser cards of Chinese origin. The finance facility carries mark-up at 6-months KIBOR + 2.50% per annum; the effective mark-up rate charged by NBP during the year was 12.17% per annum. The finance facility is repayable in 30 equal monthly instalments commenced from April, 2014 and is secured against first charge over current assets of the Company for Rs.33.333 million and first charge over fixed assets of the Company for Rs.33.333 million.

**18. 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:

Significant actuarial assumptions	2014	2013
- discount rate	13%	10.50%
- expected rate of growth per annum in future salaries	12%	9.50%
- mortality rates	SLIC 2001-2005 Setback 1 year	EFU 1961-1966
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

Amount recognised in the balance sheet is the present value of defined benefit obligation at the reporting date.

	2014	Re-stated 2013
	(Rupees in thousand)	
<b>The movement in the present value of defined benefit obligation is as follows:</b>		
Opening balance	120,830	89,275
Current service cost	9,049	11,614
Interest cost	12,687	12,499
Benefits paid	(3,081)	(5,423)
Remeasurements: experience adjustments	(322)	12,865
Closing balance	<u>139,163</u>	<u>120,830</u>
<b>Expense recognised in profit and loss account:</b>		
Current service cost	9,049	11,614
Interest cost	12,687	12,499
Charge for the year	<u>21,736</u>	<u>24,113</u>
<b>Remeasurement recognised in other comprehensive income</b>		
Experience adjustments	<u>(322)</u>	<u>12,865</u>

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

	2014	2013	2012	2011	2010
	----- Rupees in thousand -----				
Present value of defined benefit obligation	<u>139,163</u>	<u>120,830</u>	<u>89,275</u>	<u>72,958</u>	<u>42,059</u>
Experience adjustment on obligation	<u>(322)</u>	<u>12,865</u>	<u>0</u>	<u>16,823</u>	<u>(2,363)</u>

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

19. DEFERRED TAXATION - Net	2014	2013
	(Rupees in thousand)	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	50,376	46,416
- surplus on revaluation of property, plant & equipment	33,671	38,548
	<u>84,047</u>	<u>84,964</u>
Deductible temporary difference arising in respect of provision against slow moving stores and spares	(660)	(680)
	<u>83,387</u>	<u>84,284</u>

20. TRADE AND OTHER PAYABLES		2014	2013
	Note	(Rupees in thousand)	
Due to Associated Companies		28	5,288
Creditors		27,479	17,721
Advances from customers		7,467	2,998
Security deposits - interest free, repayable on demand		3,100	2,000
Accrued expenses		34,124	26,257
Workers' (profit) participation fund	20.1	4,922	4,903
Waqf-e-Kuli Khan	29.1	3,249	1,554
Income tax deducted at source		0	86
Workers' welfare fund		6,270	6,544
Unclaimed dividends		2,515	2,541
Others		494	459
		<u>89,648</u>	<u>70,351</u>
<b>20.1 Workers' (profit) participation fund (the Fund)*</b>			
Opening balance		4,903	4,688
Add: interest on funds utilised in the Company's business		88	144
		<u>4,991</u>	<u>4,832</u>
Less: payments made during the year		4,991	4,832
		<u>0</u>	<u>0</u>
Add: allocation for the year		4,922	4,903
		<u>4,922</u>	<u>4,903</u>
		<u>4,922</u>	<u>4,903</u>

\* The Fund's audit for the year ended June 30, 2013 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

## 21. ACCRUED MARK-UP

Mark-up accrued on:

- demand finances	232	0
- short term finances	723	1,976
- an Associated Company's balance	54	103
	<u>1,009</u>	<u>2,079</u>

## 22. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.270 million (2013: Rs.270 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 11.04% to 12.18% (2013: 11.09% to 14.06 %) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.100 million (2013: Rs.100 million) out of which the amount remained unutilised at the year-end was Rs. 98.989 million (2013: Rs.90.357 million). The aggregate facilities are secured against pledge of stocks, first charge on current and fixed assets of the Company for Rs.193.333 million and Rs.280.333 million respectively and lien on import documents.

These facilities are available upto December 31, 2014.



	2014	2013
<b>23. TAXATION - Net</b>	<b>(Rupees in thousand)</b>	
Opening balance	<b>35,327</b>	729
Add: provision made during the year:		
-current [net of tax credit under section 65B of the Ordinance amounting Rs.7.122 million (2013: Rs.nil)]	<b>21,840</b>	34,598
-prior year	<b>(1,548)</b>	0
	<b>20,292</b>	34,598
Less: payments/adjustments made during the year against completed assessments	<b>33,050</b>	0
Closing balance	<b>22,569</b>	35,327

- 23.1** Income tax assessments of the Company have been completed upto the tax year 2013 i.e. accounting year ended June 30, 2013 creating refund of Rs.2.049 million.
- 23.2** Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Income Tax Ordinance, 2001 (the Ordinance) starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the financial year ended June 30, 2012 was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.7.777 million were written-back in the books of account. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.14.417 million.
- 23.3** The Company has filed a reference application before the Lahore High Court against the orders of the Appellate Tribunal Inland Revenue (ATIR) for setting-aside 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.
- 23.4** The Income Tax Department (the Department) for the tax year 2004 has charged tax under section 122(5A) of the Ordinance amounting Rs.1.781 million against which a reference application is pending adjudication before the Lahore High Court. The Department, however, during July, 2010 has issued an order under section 221 of the Ordinance creating demand of Rs.775 thousand.
- 23.5** The assessing officer has levied tax amounting Rs.123 thousand under section 161/205 of the Ordinance for tax year 2006 against which the Company's appeal has been set-aside by ATIR and is pending for decision by the Department.
- 23.6** The Department for the tax year 2008 has charged tax under section 122(5A) of the Ordinance amounting Rs.4.368 million against which an appeal has been filed with the Commissioner Inland Revenue (Appeals), which is pending adjudication.
- 24. CONTINGENCIES AND COMMITMENTS**
- 24.1** Refer contents of notes 23.2 to 23.6.
- 24.2** Commitments against irrevocable letters of credit for raw materials and spare parts outstanding as at June 30, 2014 were for Rs.29.766 million (2013: Rs.9.643 million).

**24.3** Treet Corporation has filed a petition in the Peshawar High Court against the Company and its Board of Directors challenging the election of directors of the Company in the extra-ordinary general meeting held on March 31, 2014. The Company's management, based on its legal Advisors' advice, is of the view that nominees of Treet Corporation were not eligible to contest the election in terms of section 187 (h) of the Companies Ordinance, 1984, i.e. the nominees were not members of the Company on the date of election.

		<b>2014</b>	2013
		<b>(Rupees in thousand)</b>	
<b>25. SALES - Net</b>			
Fabrics and blankets		<b>819,362</b>	826,700
Waste		<b>3,217</b>	1,985
Less:		<b>822,579</b>	828,685
- discount		<b>360</b>	1,337
- sales tax		<b>33,337</b>	19,623
		<b>33,697</b>	20,960
		<b>788,882</b>	807,725
			Re-stated
		<b>2014</b>	2013
		<b>(Rupees in thousand)</b>	
<b>26. COST OF SALES</b>	<b>Note</b>		
Raw materials consumed	<b>26.1</b>	<b>404,643</b>	318,427
Salaries, wages and benefits	<b>26.2</b>	<b>121,028</b>	95,953
Power and fuel		<b>49,760</b>	54,575
Stores and spares consumed		<b>16,135</b>	18,190
Repair and maintenance		<b>22,738</b>	19,622
Depreciation		<b>29,000</b>	28,851
Insurance		<b>1,991</b>	1,993
Others		<b>853</b>	539
		<b>646,148</b>	538,150
Adjustment of work-in-process			
Opening		<b>30,401</b>	39,870
Closing		<b>(23,115)</b>	(30,401)
		<b>7,286</b>	9,469
Cost of goods manufactured		<b>653,434</b>	547,619
Adjustment of finished goods			
Opening stock		<b>108,940</b>	138,612
Closing stock		<b>(199,845)</b>	(108,940)
		<b>(90,905)</b>	29,672
		<b>562,529</b>	577,291
<b>26.1 Raw materials consumed</b>			
Opening stock		<b>206,756</b>	153,334
Add: purchases		<b>391,307</b>	371,849
		<b>598,063</b>	525,183
Less: closing stock		<b>193,420</b>	206,756
		<b>404,643</b>	318,427

**26.2** These include Rs.9.038 million (2013: Rs.8.578 million) in respect of staff retirement benefits - gratuity.

27. DISTRIBUTION COST	Note	2014 (Rupees in thousand)	Re-stated 2013
Commission		30,077	30,518
Travelling		61	16
Salaries and benefits	27.1	1,190	1,836
Outward freight		34	7
Advertisement and sales promotion		1,463	2,690
Communication		91	75
Vehicles' running		123	211
Others		32	16
		<b>33,071</b>	<b>35,369</b>

**27.1** These include Rs.102 thousand (2013: Rs.120 thousand) in respect of staff retirement benefits - gratuity.

#### 28. ADMINISTRATIVE EXPENSES

Salaries and benefits	28.1	61,244	66,903
Travelling - directors		659	811
- others		628	816
Rent, rates and taxes		1,641	1,347
Entertainment / guest house expenses		642	576
Communication		784	684
Printing and stationery		761	750
Electricity		2,879	2,039
Insurance		29	15
Repair and maintenance		3,521	2,417
Vehicles' running		4,904	4,556
Advertisement		231	46
Subscription / papers and periodicals		425	307
Depreciation		5,745	4,476
Auditors' remuneration:			
- statutory audit		550	550
- half yearly review		126	125
- consultancy charges		75	55
- certification charges		10	10
- out-of-pocket expenses		42	40
		<b>803</b>	<b>780</b>
Legal and professional charges (other than Auditors)		3,457	1,103
		<b>88,353</b>	<b>87,626</b>

**28.1** These include Rs.12.596 million (2013: Rs.15.415 million) in respect of staff retirement benefits - gratuity.

<b>29. OTHER EXPENSES</b>	<b>Note</b>	<b>2014 (Rupees in thousand)</b>	<b>2013</b>
Donation to Waqf-e-Kuli Khan	<b>29.1</b>	<b>1,770</b>	1,554
Workers' (profit) participation fund	<b>20.1</b>	<b>4,922</b>	4,903
Workers' welfare fund		<b>1,775</b>	2,049
Donations (without directors' interest)		<b>1,022</b>	3
		<b>9,489</b>	<b>8,509</b>
<b>29.1</b> 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			- Mr. Ahmad Kuli Khan Khattak
- Lt. General (Retd.) Ali Kuli Khan Khattak			- Mr. Mushtaq Ahmad Khan, FCA
- Mrs. Zeb Gohar Ayub Khan			- Mrs. Shahnaz Sajjad Ahmad
- Dr. Shaheen Kuli Khan Khattak			
<b>30. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Mark-up earned on:			
- PLS accounts		<b>1,040</b>	554
- dealers' balances		<b>0</b>	1,528
		<b>1,040</b>	2,082
<b>Income from other than financial assets</b>			
Sale of empties / scrap		<b>840</b>	675
Unclaimed payable balances written-back		<b>56</b>	10
		<b>896</b>	685
		<b>1,936</b>	2,767
<b>31. FINANCE COST</b>			
Mark-up on:			
- short term finances		<b>6,865</b>	10,530
- Associated Companies' balances		<b>274</b>	60
- letters of credit		<b>0</b>	6
Interest on workers' (profit) participation fund	<b>20.1</b>	<b>88</b>	144
Bank charges		<b>168</b>	194
		<b>7,395</b>	10,934
<b>32. TAXATION</b>			
Current:			
- for the year		<b>21,840</b>	34,598
- for prior year		<b>(1,548)</b>	0
	<b>23</b>	<b>20,292</b>	34,598
Deferred:			
- for the year	<b>19</b>	<b>(897)</b>	(5,649)
- resultant adjustment due to reduction in tax rate - net		<b>1,041</b>	1,114
		<b>144</b>	(4,535)
		<b>20,436</b>	30,063

**32.1 Relationship between tax expense and accounting profit**

	2014 (Rupees in thousand)
Accounting profit before tax	<u>152,076</u>
Tax at the applicable rate of 34%	51,706
Tax effect of accounting and tax depreciation	(1,632)
Prior year's adjustment	(1,548)
Tax credit under section 65B of the Ordinance	(7,122)
Tax effect of share of profit on investments in Associated Companies	(21,112)
Deferred tax	(897)
Effect on opening balance of deferred taxation due to reduction of tax rate	<u>1,041</u>
Tax charge for the current year	<u>20,436</u>

**33. EARNINGS PER SHARE**

	2014 (Rupees in thousand)	Re-stated 2013
There is no dilutive effect on earnings per share of the Company, which is based on:		
Profit after taxation attributable to ordinary shareholders	<u>131,640</u>	<u>146,067</u>
	No. of shares	
Weighted average number of shares in issue during the year	<u>9,506,250</u>	<u>9,506,250</u>
	----- Rupees -----	
Earnings per share - basic	<u>13.85</u>	<u>15.37</u>

Corresponding figures of weighted average number of shares in issue and earnings per share have been restated taking into effect the 25% bonus shares issue made during the current financial year.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**34.1 Financial Risk Factors**

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, price risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

**34.2 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

**(a) Currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of plant & machinery, raw materials and stores & spares denominated in U.S. \$. The Company's unfunded exposure to foreign currency risk for U.S. \$ is as follows:

	2014	2013
	(Rupees in thousand)	
Outstanding letters of credit	<u>29,766</u>	<u>9,643</u>

The following exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2014	2013	2014	2013
U.S. \$ to Rupee	102.17	97.54	98.75	98.80

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2014	2013	2014	2013
	Effective rate		(Rupees in thousand)	
Fixed rate instruments	%	%	Carrying amount	
<b>Financial assets</b>				
Bank balances	7	5	<u>60</u>	<u>151</u>
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Demand finances	12.17	-	22,500	0
Short term finances	11.04 to 12.18	11.09 to 14.06	<u>94,779</u>	<u>146,997</u>
			<u>117,279</u>	<u>146,997</u>

#### 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 or loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

#### Cash flow sensitivity analysis for variable rate instruments

At June 30, 2014, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.1.173 million (2013: Rs.1.470 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

#### (c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

#### 34.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts and balances with banks. 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 90 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

#### Exposure to credit risk

Maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in thousand)	
Security deposits	3,414	2,808
Trade debts	204,214	243,549
Other receivables	0	607
Bank balances	1,281	1,014
	208,909	247,978

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	58,934	95,515
Past due 1 - 30 days	18,183	14,359
Past due 30 - 150 days	102,903	82,368
Past due above 150 days	24,194	51,307
	204,214	243,549

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.10.423 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

#### 34.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 3 years
----- Rupees in thousand -----				
<b>2014</b>				
<b>Demand finances</b>	<b>22,500</b>	<b>25,700</b>	<b>12,183</b>	<b>13,517</b>
<b>Trade and other payables</b>	<b>70,989</b>	<b>70,989</b>	<b>70,989</b>	<b>0</b>
<b>Accrued mark-up</b>	<b>1,009</b>	<b>1,009</b>	<b>1,009</b>	<b>0</b>
<b>Short term finances</b>	<b>94,779</b>	<b>100,551</b>	<b>100,551</b>	<b>0</b>
	<b>189,277</b>	<b>198,249</b>	<b>184,732</b>	<b>13,517</b>
<b>2013</b>				
Trade and other payables	55,820	55,820	55,820	0
Accrued mark-up	2,079	2,079	2,079	0
Short term finances	146,997	148,058	148,058	0
	<b>204,896</b>	<b>205,957</b>	<b>205,957</b>	<b>0</b>

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

#### 34.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates. At June 30, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans and advances to employees, which are valued at their original costs less repayments.

#### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Director		Executives	
	2014	2013	2014	2013	2014	2013
----- Rupees in thousand -----						
Remuneration (including bonus)						
- current year	6,391	5,320	13,128	13,257	18,946	13,956
- arrears	0	0	0	9,179	0	1,517
Retirement benefits - gratuity	2,214	2,465	5,373	7,426	2,346	4,340
House rent	1,492	1,492	0	0	1,214	762
Insurance	4	4	0	0	22	13
Reimbursement of medical and other expenses	256	201	274	294	1,074	645
Utilities	51	86	618	444	642	512
	<b>10,408</b>	<b>9,568</b>	<b>19,393</b>	<b>30,600</b>	<b>24,244</b>	<b>21,745</b>
Number of persons	1	1	1	1	11	8



**35.1** The chief executive, working director and executives have been provided with free use of the Company maintained cars. The chief executive and working director have also been provided with free use of residential telephone.

**35.2** In addition to above, meeting fees of Rs.780 thousand (2013: Rs.600 thousand) were also paid to nine (2013: seven) non-working directors.

**36. TRANSACTIONS WITH RELATED PARTIES**

**36.1** 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 Company's associates to meet the business transactions involving payment / reimbursement of branch office / other expenses incurred on the Company's behalf.

**36.2** Mark-up has been accrued at the rates ranging from 11.08% to 12.18% per annum (2013: at the rate of 14.56%) per annum calculated on daily product basis on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Ltd. as these balances have arisen on account of insurance premium payable.

**36.3** The related parties of the Company comprise of associated undertakings, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. Transactions with related parties are made at normal market prices.

Material transactions with related parties during the year were as follows:

Name	Nature of relationship	Nature of transaction	2014 --- Rupees in '000 ---	2013
Janana De Malucho Textile Mills Ltd. (JDM)	Associated Company	Purchase of raw materials	<b>3,524</b>	4,704
		Dividend paid	<b>0</b>	1,756
		Mark-up expensed	<b>274</b>	60
Rahman Cotton Mills Ltd.	-do-	Sale of woollen cloth	<b>0</b>	5
The Universal Insurance Company Ltd. (UIC)	-do-	Insurance premium	<b>241</b>	218
		Dividend paid	<b>0</b>	21
		Expenses shared	<b>383</b>	376
Bibojee Services (Pvt.) Ltd. Ltd. (BSL)	-do-	Dividend paid	<b>0</b>	5,989
Gammon Pakistan Ltd.	-do-	Rent of sign board	<b>810</b>	0
The General Tyre and Rubber Company of Pakistan Ltd.	-do-	Purchase of tyres	<b>0</b>	34
Waqf-e-Kuli Khan (Waqf)	Associated Undertaking	Donation	<b>1,770</b>	1,554

**36.4** The Company, during the year, has issued 146,325, 1,788, 499,042 and 532 to JDM, UIC, BSL and Waqf as bonus shares.

**37. CAPITAL RISK MANAGEMENT**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements.

**38. OPERATING SEGMENT**

These financial statements have been prepared on the basis of single reportable segment.

**38.1** Fabric and blanket sales represent 98.96% (2013: 99.76%) of the total gross sales of the Company.

**38.2** All of the Company's sales relate to customers in Pakistan.

**38.3** All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

**38.4** Three (2013: three) of the Company's customers having sales aggregating Rs.576.672 million (2013: Rs.571.488 million) contributed towards 70.10% (2013: 68.96%) of the Company's gross sales. Each customer individually exceeded 10% of total gross sales.

**39. CAPACITY AND PRODUCTION**

It is difficult to describe precisely the production capacity in woollen spinning / weaving mills since it fluctuates widely depending on various factors such as types of material used, count of yarn spun, spindles' speed, twist, the present working condition of the machinery, specification of various products manufactured from time to time and power break downs, etc. Estimated capacity based on single working shift along with the actual production based on three shifts working is given below:

<b>Yarn</b>	<b>2014</b>	<b>2013</b>
Number of spindles installed	<b>3,346</b>	3,346
Number of spindles/shifts worked	<b>1,963,050</b>	1,934,400
Installed capacity at 5 Nm count (Kgs.)	<b>1,993,096</b>	1,993,096
Actual production converted into 5 Nm count (Kgs.)	<b>1,347,944</b>	1,372,771
Number of shifts worked	<b>948</b>	915
<b>Cloth</b>		
Number of looms installed	<b>50</b>	50
Number of looms/shifts worked	<b>33,942</b>	36,294
Installed capacity of 50 (2013: 50) operational looms at 30 picks (Meters) (single shift)	<b>1,647,752</b>	1,647,752
Actual production converted into 30 picks (Meters) (03 shifts)	<b>2,063,578</b>	1,769,815
Number of shifts worked	<b>939</b>	882

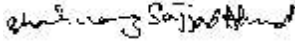
<b>40. NUMBER OF EMPLOYEES</b>	<b>2014</b>	<b>2013</b>
	----- Numbers -----	
Number of persons employed as at June 30,		
- permanent	<b>656</b>	482
- contractual	<b>24</b>	158
Average number of employees during the year		
- permanent	<b>636</b>	474
- contractual	<b>38</b>	168

**41. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 20, 2014 by the Board of Directors of the Company.

**42. CORRESPONDING FIGURES**

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (Revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

  
 Shahnaz Sajjad Ahmad  
 Chief Executive

  
 Ahmad 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 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 54<sup>th</sup> Annual General Meeting of the Company to be held at Registered Office, Bannu Woollen Mills Ltd., D.I. Khan Road, Bannu on 29<sup>th</sup> October 2014 08:00 A.M and at any adjournment thereof.

**Witnesses:**

1. As witness my hand this ..... day of ..... 2014.

Signed by the said member in the presence of \_\_\_\_\_

2. As witness my hand this ..... day of ..... 2014.

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 entitled to attend and vote at the meeting may appoint another member as proxy, in writing duly notarised to attend the meeting and vote on the member's behalf. Only a member can be appointed as a proxy.

If a member is unable to attend the meeting, he may complete and sign this form and send it to Company Secretary, Bannu Woollen Mills Limited, D.I. Khan Road, Bannu 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