

# 50th Annual Report 2010

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 .....	7
KEY OPERATING & FINANCIAL DATA .....	12
PATTERN OF SHAREHOLDING .....	13
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE ..	16
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**

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

## **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 50<sup>th</sup> Annual General Meeting of the Shareholders of Bannu Woollen Mills Limited will be held at the registered office of the Company at Habibabad, Kohat on Sunday the 31<sup>st</sup> October 2010 at 11:00 A.M. to transact the following business.

1. To confirm the minutes of the 49<sup>th</sup> Annual General Meeting held on October 31, 2009.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30<sup>th</sup> June 2010 together with the directors' and auditors' reports thereon.
3. To consider and approve the payment of final cash dividend for the year ended 30<sup>th</sup> June 2010 as recommended by the Board of Directors of the company. The Board of Directors has approved the final cash dividend @ 20% i.e. Rs.2/- per share for the year ended 30<sup>th</sup> June 2010.
4. To appoint auditors for the year ending on 30<sup>th</sup> June 2011 and to fix their remuneration.
5. To consider any other business with the permission of the Chair.

By order of the Board



AMIN-UR-RASHEED

Company Secretary

&

General Manager Corporate Affairs

Kohat

Dated: 9<sup>th</sup> October 2010

**NOTES:**

**BOOK CLOSURE:**

1. The Share transfer books of the Company shall remain closed from 23<sup>rd</sup> October 2010 to 30<sup>th</sup> October 2010 (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 22<sup>nd</sup> October 2010 will be considered in order for registration in the name of the transferees to receive the cash dividend.

**CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:**

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

**PARTICIPATION IN ANNUAL GENERAL MEETING:**

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

**INSTRUCTIONS FOR CDC ACCOUNT HOLDERS:**

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

**a. For attending the meeting:**

- i. In case of account holder of CDC their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (N.I.C.) or Original Passport at the time of attending the Meeting.
- ii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced at the time of the meeting.

- b. For appointing proxies:**
- i. In case of individuals account holder of CDC registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements along with attested copies of N.I.C. or the Passport of the beneficial owner shall be furnished with proxy form.
  - ii. The proxy shall produce his original N.I.C. or original Passport at the time of the meeting.
  - iii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the company.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Director are pleased to welcome you on 50th Annual General Meeting of the company and place before you the Balance Sheet as on 30th June, 2010 alongwith Profit and Loss Account for the year ended 30th June, 2010 with auditors report on these financial statements for your approval.

### **FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR, 2010 :**

We are pleased to report that your Company has earned net profit of Rs.94.268 million after addition of profit of associated companies & reversal of impairment loss on investments and before taxation. The actual profit before these adjustments for year ended 30th June, 2010 amounts to Rs.40.386 million as compared to profit of Rs.39.601 million of year 2009.

The net sales of the Company were higher at Rs.415.428 million (2009: Rs. 391.280 million). The cost of sales amounted to Rs. 302.101 million (2009: Rs. 295.269 million).

Operating profit after finance cost for the year under report was Rs.40.386 million (2009: Rs.39.601 million). However Cost of sales has increased by Rs. 6.832 million ( 2.31%) which comprises Rs. 3.273(m) increase in salary, wages & benefits & due to higher provision of gratuity as per actuarial valuation and increase of Rs.39.863 (m) in prices of imported wool & yarn, Rs. 2.435(m) in depreciation while decrease of Rs. 4.150(m) in dyes / chemicals, power & fuel & repair / maintenance and Rs. 42.889(m) inventory adjustment.

The best efforts of senior management of the Company, overall control and reduction in raw material cost by changing the blend and by introducing the new products. There was increase in financial cost by 86.33% as compared to last year; the fact of this increase capital investment of Rs. 67.719 (m) in plant and machinery from retained earnings (w-e-f January 2009 to June 2010), causing higher utilization of cash finance facilities.. The gross profit for the year under review i.e. 2010 is 27.28% of net sales (2009 gross profit was 24.54% of net sales).

### **FINANCIAL RESULTS**

Financial results for the year ended 30th June, 2010 as compared to the year ended 30th June, 2009 are summarized as under :-



	<b>Year ended 30th June, 2010 (Rs. Million)</b>	Year ended 30th June, 2009 (Rs. Million)
SALES	<b>415.428</b>	391.280
COST OF SALES	<b>302.101</b>	295.269
GROSS PROFIT	<b>113.327</b>	96.011
DISTRIBUTION COST	<b>16.951</b>	16.045
ADMINISTRATIVE EXPENSES	<b>45.037</b>	33.144
OTHER OPERATING EXPENSES	<b>3.765</b>	4.297
OTHER OPERATING INCOME	<b>(3.429)</b>	(2.774)
	<b>62.324</b>	50.712
PROFIT FROM OPERATIONS	<b>51.003</b>	45.299
FINANCE COST	<b>10.617</b>	5.698
	<b>40.386</b>	39.601
SHARE OF PROFIT / (LOSS) OF ASSOCIATED COMPANIES - Net	<b>38.341</b>	(14.351)
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES REVERSED / (PROVIDED FOR)	<b>15.541</b>	(15.541)
	<b>53.882</b>	(29.892)
PROFIT BEFORE TAXATION	<b>94.268</b>	9.709
TAXATION		
- Current year	<b>2.080</b>	8.235
- Prior years'	<b>1.165</b>	0.079
- Deferred	<b>3.670</b>	6.662
	<b>6.915</b>	14.976
PROFIT / (LOSS) AFTER TAXATION	<b>87.353</b>	(5.267)
EARNINGS / (LOSS) PER SHARE	Rs. <b>11.49</b>	Rs. (0.69)

**OPERATING PERFORMANCE:**

With the installed capacity of 3,346 woollen spindles and 46 shuttleless looms (2009, capacity was 3,346 spindles and 46 shuttleless looms), the Company has produced 1,467,874 kgs of 5 Nm count yarn and 1,879,032 meter cloth based on 30 picks in year 2010 as compared to 1,281,733 kgs of 5 Nm count yarn and 1,521,667 meters cloth based on 30 picks for the year ended 30 June, 2009. Production efficiency increased by 357,365 meters (23.48%) as compared to year 2009 owing to installation of one new ring spinning frame and one 2nd hand woollen condenser card.

**INVESTMENT IN PLANT AND MACHINERY:**

We are pleased to inform you that your directors had invested Rs. 36.466 million during the year under review ( in addition to Rs. 31.253 (m) invested in last quarter of financial year 2008-2009) in order to improve quality and quantity of the Mills production during the year under report. We are also planning to invest further Rs. 30.000 million in gas generating set during the year 2010-2011.

**COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE.**

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

- 1 The financial statements, prepared by the management of Bannu Woollen Mills Ltd; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2 Appropriate accounting policies have been consistently applied for the year ended 30-06-2010 and accounting estimates are based on reasonable and prudent judgment.
- 3 Proper books of account of Bannu Woollen Mills Limited have been maintained.
- 4 International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- 5 The system of internal controls is sound in design and has been effectively implemented and monitored.
- 6 There are no doubts upon Bannu Woollen Mills Limited's ability to continue as a going Concern.
- 7 There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8 There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June 2010, except for those disclosed in the financial statements.
- 9 The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.
- 10 No trades in the shares of Bannu Woollen Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30th June 2010.

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING**

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

**BOARD AUDIT COMMITTEE**

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

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

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

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

<b><u>BOARD MEETING AND ATTENDANCE OF EACH DIRECTOR</u></b>	<b>Number</b>
Total number of Board meetings Held during the year under review.	6
<b><u>Attendance of each Director</u></b>	
Mr. Raza Kuli Khan Khattak	6
Lt. Gen. (Retd), Ali Kuli Khan Khattak	5
Mr. Ahmad Kuli Khan Khattak	5
Mr. Muhammad Azhar Khan	3
Mr. Mushtaq Ahmed Khan, FCA	6
Mrs. Zeb Gohar Ayub	5
Mrs. Shahnaz Sajjad Ahmad	5
Dr. Shaheen Kuli Khan Khattak	3
Mr. Manzoor Ahmad Sheikh (NIT)	4
Mr. Sher Ali Khan (SLIC)	6

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

The Board is pleased to report further that Bannu Woollen Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on 30th June 2010.

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

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

**PATTERN OF SHAREHOLDING**

The statement of pattern of shareholding of the company as on 30th June 2010 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.

**TRANSMISSION OF QUARTERLY ACCOUNTS ON NEW WEBSITE**

The shareholders are informed that In pursuance of Circular No. 19 of 2004 and with the permission of Securities and Exchange Commission of Pakistan vide their Letter No.EMD/233/292/2002-1884 dated July 21, 2010, due to non professional behavior of our previous web provider namely M/s. CosmoSoft Business Solutions, Lahore, in future quarterly financial statements of the company will be transmitted to all the shareholders of the company through company's new website i.e. www.bwm.com.pk instead of www.bibojee.com. Financial statements of the company from 30th June 2009 to 31st March 2010 and onward shall be available on our new website. We have already given the notice regarding change of address of website in the Newspapers (The News, Karachi & Islamabad and Express, Karachi & Islamabad dated August 08, 2010).

**COMPLIANCE WITH THE REQUIREMENT OF INSERTION OF CNIC NUMBER IN TRANSFER DEED AND FORM A IN ACCORDANCE WITH THE PROVISIONS OF FIRST & THIRD SCHEDULE OF THE COMPANIES ORDINANCE, 1984**

In pursuance of the Securities and Exchange Commission of Pakistan's notice dated April 02, 2010 in respect of S.R.O.286/(1)/2005 dated March 31, 2005, the shareholders of the company are requested to send clear Photocopy of their valid Computerized National Identity Card (both sides) at the earliest at the address of our share Registrar namely M/s. Management & Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi. Fax No.021-35820325. This information is required for maintaining the Members' Register of the company.

**DIVIDEND**

We are pleased to inform you that your directors in their meeting held on 7th October 2010 have decided to recommend payment of Cash Dividend @ 20% i.e. Rs.2/- per share which is subject to your approval in the Annual General Meeting.

**APPOINTMENT OF AUDITORS**

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

**ACKNOWLEDGMENT**

**Your directors inform with profound sorrow that Mr. Muhammad Azhar Khan is not heading the Company as its Chief Executive since 30 December, 2009, when he passed way after brief illness. His commendable & dedicated services for over all improvement of Company's performance during his 36 years association with the Company will be remembered for a long time to come. We pray eternal peace for the departed soul.**

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

For & on behalf of Board of Directors



RAZA KULI KHAN KHATTAK  
Chairman

Dated: 08 October, 2010

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

PARTICULARS	(Rupees in Million)					
	2010	2009	2008	2007	2006	2005
SALES (Net)	<b>415.428</b>	391.280	319.692	284.422	278.247	127.335
GROSS PROFIT	<b>113.327</b>	96.011	78.314	74.056	75.214	20.127
OPERATING PROFIT	<b>51.003</b>	45.299	48.855	45.584	50.322	4.987
<b>PROFIT /(LOSS)</b>						
BEFORE TAXATION	<b>94.268</b>	9.709	43.669	41.698	38.193	1.649
PROVISION FOR TAXATION	<b>6.915</b>	14.976	16.211	15.035	21.199	0.630
<b>PROFIT /(LOSS)</b>						
AFTER TAXATION	<b>87.353</b>	(5.267)	27.458	26.663	16.994	1.018
CASH DIVIDEND	<b>20%</b>	-	-	☆ 50%	-	-
EARNING (LOSS) PER SHARE	Rs. <b>11.49</b>	(0.69)	3.61	5.26	3.35	0.20
BREAK UP VALUE PER SHARE	Rs. <b>54.54</b>	41.09	41.25	55.62	49.04	38.33
TOTAL ASSETS	<b>914.562</b>	801.915	713.499	668.981	619.121	684.766
CURRENT LIABILITIES	<b>162.183</b>	165.464	88.445	73.353	54.332	147.617
	<b>752.379</b>	636.451	625.054	595.628	564.789	537.149
<b><u>REPRESENTED BY:</u></b>						
SHARE CAPITAL	<b>516.222</b>	416.137	419.627	390.440	362.377	342.802
RESERVES	<b>137.400</b>	137.400	137.400	137.400	137.400	137.400
EQUITY	<b>653.622</b>	553.537	557.027	527.840	499.777	480.202
DEFERRED LIABILITIES	<b>98.757</b>	82.914	68.027	67.788	65.012	56.947
	<b>752.379</b>	636.451	625.054	595.628	564.789	537.149

☆ 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
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2. Name of the Company

BANNU WOOLLEN MILLS LIMITED
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3. Pattern of holding of the shares held by the shareholders as at

3	0
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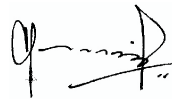
0	6
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2	0	1	0
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4. No of shareholders	<u>Shareholdings</u>	<u>Total shares held</u>
212	shareholding from 1 to 100	8,275
254	shareholding from 101 to 500	79,351
155	shareholding from 501 to 1000	129,612
266	shareholding from 1001 to 5000	609,607
44	shareholding from 5001 to 10000	331,532
19	shareholding from 10001 to 15000	224,254
11	shareholding from 15001 to 20000	194,648
7	shareholding from 20001 to 25000	158,867
5	shareholding from 25001 to 30000	139,407
4	shareholding from 30001 to 35000	123,756
2	shareholding from 35001 to 40000	75,514
2	shareholding from 40001 to 45000	84,405
3	shareholding from 45001 to 50000	135,720
2	shareholding from 50001 to 55000	103,158
3	shareholding from 55001 to 60000	174,843
2	shareholding from 60001 to 65000	120,991
1	shareholding from 65001 to 70000	66,541
2	shareholding from 70001 to 75000	144,599
1	shareholding from 75001 to 80000	76,050
3	shareholding from 80001 to 85000	242,480
1	shareholding from 85001 to 90000	86,551
1	shareholding from 90001 to 100000	98,655
1	shareholding from 120001 to 125000	120,777
1	shareholding from 225001 to 230000	226,490
1	shareholding from 265001 to 270000	270,000
1	shareholding from 370001 to 375000	374,490
1	shareholding from 585001 to 590000	585,301
1	shareholding from 620001 to 625000	622,956
1	shareholding from 1900001 to 2000000	1,996,170
1,007	Total	7,605,000

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	842,025	11.07
5.2. Associated Companies, undertakings and related parties.	2,588,623	34.04
5.3 NIT and ICP	41,894	0.55
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	743,037	9.77
5.5 Insurance Companies	622,956	8.19
5.6 Modarabas and Mutual Funds	NIL	NIL
5.7 Share holders holding 10% Bibojee Services (Pvt.) Ltd	1,996,170	26.25
5.8 General Public		
a. Local	2,716,510	35.72
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	47,806	0.63
Trust	2,128	0.03
Karachi Stock Exchange (G) Ltd.	21	0.00

6. Signature of Chief Executive/ Secretary



7. Name of Signatory

**AMIN-UR-RASHEED**

8. Designation

Company Secretary & General Manager Corporate Affairs

9. NIC Number

1	4	3	0	1	-	4	5	7	5	7	6	4	-	3
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10. Date

Day		Month		Year			
3	0	0	6	2	0	1	0



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

CATEGORIES OF SHAREHOLDERS	SHARES HELD
1. ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES:	
M/S JANANA DE MALUCHO TEXTILE MILLS LTD,	585,301
M/S.BIBOJEE SERVICES (PVT) LTD.	1,996,170
M/S UNIVERSAL INSURANCE CO. LTD,	7,152
2. N.I.T. & I.C.P:	
M/S.INVESTMENT CORPORATION OF PAKISTAN	750
M/S.NATIONAL INVESTMENT TRUST LIMITED	41,144
3. DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
MR.RAZA KULI KHAN KHATTAK, Chairman	45,259
MRS.SHAHIDA KHATOON	50,700
W/O MR. RAZA KULI KHAN KHATTAK	
LT.GEN. (RETD) ALI KULI KHAN KHATTAK Director	43,261
MRS.NELOFAR ALI KULI KHAN	76,050
W/O LT.GEN. (RETD) ALI KULI KHAN KHATTAK	
MR.AHMED KULI KHAN KHATTAK Director	45,214
MRS.NASREEN AHMED KULI KHAN	80,991
W/O MR.AHMED KULI KHAN KHATTAK	
MR.MUSHTAQ AHMED KHAN (FCA) Director	*270,000
MRS.SAEEDA MUSHTAQ	15,750
W/O MR. MUSHTAQ AHMAD KHAN, FCA	
MRS.ZEB GOHAR AYUB Director	26,997
MRS.SHAHNAZ SAJJAD AHMED Director	89,148
DR. SHAHEEN KULI KHAN Director	98,655
MR.MANZOOR AHMAD SHEIKH (NIT) Director	NIL
MR.SHER ALI KHAN (SLIC) Director	NIL
4. EXECUTIVES	35,235
5. JOINT STOCK COMPANIES	47,806
6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	1,365,993
7. SHAREHOLDERS HOLDING 10% OR MORE: M/S.BIBOJEE SERVICES (PVT) LTD.	1,996,170
8. GENERAL PUBLIC & OTHERS	2,683,424

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



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

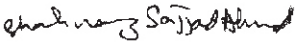
Name of Company BANNU WOOLLEN MILLS LIMITED  
Year Ended 30TH JUNE 2010

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs, or being the member of a Stock Exchange, has been declared as defaulter by the Stock Exchange.
4. Casual vacancy in the Board of Directors/Chief Executive of the Company was filled in accordance with Companies Ordinance, 1984 during the year ended 30<sup>th</sup> June 2010.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30<sup>th</sup> June 2010.

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

Signature (Name in block letters)	 MRS. SHAHNAZ SAJJAD AHMAD (Chief Executive)
CNIC Number	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 Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BANNU WOOLLEN MILLS LIMITED (the Company) to comply with the Listing Regulation No. 35 and 36 of the Karachi and Islamabad Stock Exchanges respectively, where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2010.

LAHORE; 08 October, 2010

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

Engagement Partner: Abdul Hameed Chaudhri

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **BANNU WOOLLEN MILLS LIMITED** (the Company) as at 30 June, 2010 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 changes as described in note 5.1 to the 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 30 June, 2010 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).

LAHORE: 08 October, 2010

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

Engagement Partner: Abdul Hameed Chaudhri

## BALANCE SHEET AS AT 30 JUNE, 2010

	Note	2010 (Rupees in thousand)	2009	Note	2010 (Rupees in thousand)	2009	
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Authorized capital 10,000,000 ordinary shares of Rs.10 each		<u>100,000</u>	<u>100,000</u>	Property, plant and equipment			
Operating fixed assets	17	461,878		440,875			
Capital work-in-progress	18	2,294		33,180			
Issued, subscribed and paid-up capital	7	76,050	76,050		<u>464,172</u>	<u>474,055</u>	
Reserves	8	137,400	137,400	Investments in Associated Companies	19	92,812	3,380
Unappropriated profit		201,304	99,060	Deposit for shares	20	0	22,818
		<u>414,754</u>	<u>312,510</u>	Security deposits		2,809	276
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>					<u>559,793</u>	<u>500,529</u>	
	9	238,868	241,027	<b>CURRENT ASSETS</b>			
<b>NON-CURRENT LIABILITIES</b>				Stores and spares	21	21,279	20,304
Liabilities against assets subject to finance lease	10	238	1,789	Stock-in-trade	22	265,674	202,272
Staff retirement benefits - gratuity	11	33,514	19,790	Trade debts	23	40,981	50,106
Deferred taxation	12	65,005	61,335	Advances to employees - unsecured considered good		608	197
		<u>98,757</u>	<u>82,914</u>	Advance payments		17	490
<b>CURRENT LIABILITIES</b>				Trade deposits and prepayments	24	1,169	453
Current portion of liabilities against assets subject to finance lease	10	1,536	1,555	Sales tax refundable		6,410	4,012
Short term finances	13	92,422	109,414	Due from Associated Companies	25	284	6,145
Trade and other payables	14	65,416	46,260	Income tax refundable, advance tax and tax deducted at source		16,373	16,642
Taxation	15	2,809	8,235	Cash and bank balances	26	1,974	765
		<u>162,183</u>	<u>165,464</u>			<u>354,769</u>	<u>301,386</u>
<b>CONTINGENCIES AND COMMITMENTS</b>						<u>914,562</u>	<u>801,915</u>
	16					<u>914,562</u>	<u>801,915</u>
		<u>914,562</u>	<u>801,915</u>			<u>914,562</u>	<u>801,915</u>

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

*Shahnaz Sajjad Ahmad*  
Shahnaz Sajjad Ahmad  
Chief Executive

*Mushtaq Ahmad Khan*  
Mushtaq Ahmad Khan, FCA  
Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE, 2010**

	Note	2010 (Rupees in thousand)	2009
<b>SALES</b>	<b>27</b>	<b>415,428</b>	391,280
<b>COST OF SALES</b>	<b>28</b>	<b>302,101</b>	295,269
<b>GROSS PROFIT</b>		<b>113,327</b>	96,011
<b>DISTRIBUTION COST</b>	<b>29</b>	<b>16,951</b>	16,045
<b>ADMINISTRATIVE EXPENSES</b>	<b>30</b>	<b>45,037</b>	33,144
<b>OTHER OPERATING EXPENSES</b>	<b>31</b>	<b>3,765</b>	4,297
<b>OTHER OPERATING INCOME</b>	<b>32</b>	<b>(3,429)</b>	(2,774)
		<b>62,324</b>	50,712
<b>PROFIT FROM OPERATIONS</b>		<b>51,003</b>	45,299
<b>FINANCE COST</b>	<b>33</b>	<b>10,617</b>	5,698
		<b>40,386</b>	39,601
<b>SHARE OF PROFIT / (LOSS) OF ASSOCIATED COMPANIES - Net</b>	<b>19</b>	<b>38,341</b>	(14,351)
<b>IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES REVERSED / (PROVIDED FOR)</b>	<b>19</b>	<b>15,541</b>	(15,541)
		<b>53,882</b>	(29,892)
<b>PROFIT BEFORE TAXATION</b>		<b>94,268</b>	9,709
<b>TAXATION</b>			
- Current year	<b>15</b>	<b>2,080</b>	8,235
- Prior years'	<b>15</b>	<b>1,165</b>	79
- Deferred	<b>12</b>	<b>3,670</b>	6,662
		<b>6,915</b>	14,976
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>87,353</b>	(5,267)
		----- Rupees -----	
<b>EARNINGS / (LOSS) PER SHARE</b>	<b>34</b>	<b>11.49</b>	(0.69)

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

*Shahnaz Sajjad Ahmad*  
Shahnaz Sajjad Ahmad  
Chief Executive

*Mushtaq Ahmad Khan*  
Mushtaq Ahmad Khan, FCA  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE, 2010**

	2010	2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year - before taxation and share of profit / (loss) and impairment loss on investments in Associated Companies	40,386	39,601
Adjustments for non-cash charges and other items:		
Depreciation	15,244	13,445
Unclaimed balances written-back	(778)	(2)
Obsolete computers written-off	11	0
Gain on disposal of operating fixed assets	(457)	(528)
Staff retirement benefits - gratuity (net)	13,724	8,319
Mark-up on bank deposits, dealers' and Associated Companies' balances	(1,511)	(1,011)
Finance cost	10,617	5,698
Workers' welfare fund	491	853
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	77,727	66,375
- Before working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(975)	(1,127)
Stock-in-trade	(63,402)	(62,273)
Trade debts	9,125	682
Advances to employees	(411)	141
Advance payments	473	(296)
Trade deposits and prepayments	(716)	3,510
Sales tax refundable	(2,398)	385
Due from Associated Companies	5,959	(2,432)
Other receivables	0	98
Increase in trade and other payables	19,920	9,201
	(32,425)	(52,111)
<b>CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation</b>	45,302	14,264
Taxes paid	(8,879)	(18,545)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES - After taxation</b>	36,423	(4,281)
Security deposits	(2,533)	(10)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	33,890	(4,291)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(5,581)	(68,610)
Sale proceeds of operating fixed assets	666	812
Mark-up received on bank deposits, dealers' and Associated Companies' balances	1,413	2,102
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	(3,502)	(65,696)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term finances - net	(16,992)	76,293
Lease finances - net	(1,570)	(400)
Finance cost paid	(10,617)	(5,698)
<b>NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES</b>	(29,179)	70,195
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,209	208
<b>CASH AND CASH EQUIVALENTS - At beginning of the year</b>	765	557
<b>CASH AND CASH EQUIVALENTS - At end of the year</b>	1,974	765

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

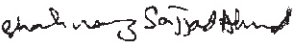
*Shahnaz Sajjad Ahmad*  
**Shahnaz Sajjad Ahmad**  
Chief Executive

*Mushtaq Ahmad Khan*  
**Mushtaq Ahmad Khan, FCA**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE, 2010**

	<b>Share capital</b>	<b>Capital reserve</b>	<b>General reserve</b>	<b>Unappropriated profit</b>	<b>Total</b>
----- Rupees in thousand -----					
Balance as at 30 June, 2008	76,050	19,445	117,955	100,268	313,718
Loss after taxation for the year ended 30 June, 2009	0	0	0	(5,267)	(5,267)
Transfer from surplus on revaluation of property, plant & equipment on account of :					
- incremental depreciation for the year - net of deferred taxation	0	0	0	2,273	2,273
- surplus realised on disposal of revalued assets - net of deferred taxation	0	0	0	9	9
Effect of items directly credited in equity by the Associated Companies	0	0	0	1,777	1,777
<b>Balance as at 30 June, 2009</b>	<b>76,050</b>	<b>19,445</b>	<b>117,955</b>	<b>99,060</b>	<b>312,510</b>
Profit after taxation for the year ended 30 June, 2010	0	0	0	87,353	87,353
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the year - net of deferred taxation	0	0	0	2,159	2,159
Effect of items directly credited in equity by the Associated Companies	0	0	0	12,732	12,732
<b>Balance as at 30 June, 2010</b>	<b>76,050</b>	<b>19,445</b>	<b>117,955</b>	<b>201,304</b>	<b>414,754</b>

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

  
**Shahnaz Sajjad Ahmad**  
Chief Executive

  
**Mushtaq Ahmad Khan, FCA**  
Director



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2010**

**1. CORPORATE INFORMATION**

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

**2. STATEMENT OF COMPLIANCE**

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

**3. BASIS OF MEASUREMENT**

**3.1 Accounting convention**

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

**3.2 Functional and presentation currency**

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards 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. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

- a) staff retirement benefits;
- b) provision for current and deferred taxation;
- c) useful life of property, plant and equipment;
- d) provision against slow moving inventories; and
- e) provision for impairment of trade debts.

## 5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

- (a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 July, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.
- (b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.
- (c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.
- (d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

### 5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 July, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 July, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

### 5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).
- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).
- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

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

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

### **6.1 Taxation**

#### **(a) Current**

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

#### **(b) Deferred**

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

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

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

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

## **6.2 Foreign currency transactions**

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

## **6.3 Staff retirement benefits**

The Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2010 on the basis of projected unit credit method by an independent Actuary.

## **6.4 Trade and other payables**

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

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

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

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

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



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

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

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

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

#### **6.6 Assets subject to finance lease**

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

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

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

#### **6.7 Investments in Associated Companies**

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

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

#### **6.8 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 to the balance sheet date.

**6.9 Stock-in-trade**

Basis of valuation are as follows:

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

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

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

**6.10 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year-end. Balances considered bad and irrecoverable are written-off when identified.

**6.11 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.

**6.12 Impairment loss**

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.

**6.13 Revenue recognition**

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

**6.14 Borrowings and borrowing costs**

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

**6.15 Provisions**

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

**6.16 Financial assets and liabilities**

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

**6.17 Off-setting of financial instruments**

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

**6.18 Related party transactions**

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

**6.19 Dividend and appropriation to reserves**

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

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

	2010	2009
	(Rupees in thousand)	
<b>2,259,375</b> Ordinary shares of Rs.10 each issued for cash	<b>22,594</b>	22,594
<b>5,345,625</b> Ordinary shares of Rs.10 each issued as bonus shares	<b>53,456</b>	53,456
<b>7,605,000</b>	<b>76,050</b>	76,050

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

	2010	2009
	Numbers of shares	
- Janana De Malucho Textile Mills Ltd.	<b>585,301</b>	585,301
- Bibojee Services (Pvt.) Ltd.	<b>1,996,170</b>	1,996,170
- The Universal Insurance Company Ltd.	<b>7,152</b>	7,152
	<b>2,588,623</b>	2,588,623

**8. RESERVES**

**Capital**

Share premium reserve:

	2010	2009
	(Rupees in thousand)	
859,375 shares @ Rs.7.50 per share issued during the financial year 1991-92	<b>6,445</b>	6,445
650,000 right shares @ Rs.20.00 per share issued during the financial year 1993-94	<b>13,000</b>	13,000
	<b>19,445</b>	19,445

**Revenue**

General reserve	<b>117,955</b>	117,955
	<b>137,400</b>	137,400

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

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

	<b>2010</b>	2009
	<b>(Rupees in thousand)</b>	
Opening balance	<b>241,027</b>	243,309
Less: transferred to unappropriated profit on account of:		
- incremental depreciation for the year - net of deferred taxation	<b>(2,159)</b>	(2,273)
- surplus realised on disposal of revalued assets - net of deferred taxation	<b>0</b>	(9)
Closing balance	<b>238,868</b>	241,027

**10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured**

Particulars	2010			2009		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
----- Rupees in thousand -----						
Minimum lease payments	<b>2,040</b>	<b>246</b>	<b>2,286</b>	2,274	2,322	4,596
Less: finance cost allocated to future periods	<b>187</b>	<b>8</b>	<b>195</b>	489	216	705
	<b>1,853</b>	<b>238</b>	<b>2,091</b>	1,785	2,106	3,891
Less: security deposits adjustable on expiry of lease terms	<b>317</b>	<b>0</b>	<b>317</b>	230	317	547
Present value of minimum lease payments	<b>1,536</b>	<b>238</b>	<b>1,774</b>	1,555	1,789	3,344

The Company has entered into lease agreements with First Habib Modaraba and ORIX Leasing Pakistan Ltd. for lease of vehicles. The liabilities under these agreements are payable by October, 2011 and, during the year, were subject to finance cost at the rates ranging from 16.44% to 18.26% (2009: 15.86% to 21.20%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors.

**11. STAFF RETIREMENT BENEFITS - Gratuity**

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

	<b>2010</b>	2009
- discount rate	<b>12%</b>	12%
- expected rate of growth per annum in future salaries	<b>11%</b>	11%
- average expected remaining working life time of employees	<b>11 years</b>	11 years



<b>The amount recognised in the balance sheet is as follows:</b>	<b>2010</b>	<b>2009</b>
	<b>(Rupees in thousand)</b>	
Present value of defined benefit obligation	<b>42,059</b>	31,474
Unrecognised actuarial loss	<b>(8,545)</b>	(11,684)
Net liability as at 30 June,	<b>33,514</b>	19,790
Opening balance	<b>19,790</b>	11,471
Charge to profit and loss account	<b>25,597</b>	11,591
Payments during the year	<b>(11,873)</b>	(3,272)
Net liability as at 30 June,	<b>33,514</b>	19,790
<b>The movement in the present value of defined benefit obligation is as follows:</b>		
Present value of defined benefit obligation	<b>31,474</b>	15,214
Current service cost	<b>9,519</b>	10,000
Interest cost	<b>3,777</b>	1,369
Past service cost - vested benefits	<b>11,525</b>	0
Benefits paid	<b>(11,873)</b>	(3,272)
Actuarial (gain) / loss	<b>(2,363)</b>	8,163
Present value of defined benefit obligation	<b>42,059</b>	31,474

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

	<b>2010</b>	2009	2008	2007	2006
	----- Rupees in thousand -----				
Present value of defined benefit obligation	<b>42,059</b>	31,474	15,214	15,333	14,085
Experience adjustment on obligation	<b>(2,363)</b>	8,163	0	0	52

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

<b>12. DEFERRED TAXATION - Net</b>	<b>2010</b>	<b>2009</b>
	<b>(Rupees in thousand)</b>	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowance	<b>44,671</b>	37,562
- surplus on revaluation of property, plant & equipment	<b>22,088</b>	23,251
- lease finances	<b>501</b>	697
Deductible temporary difference arising in respect of:		
- minimum tax recoverable against normal tax charge in future years	<b>(2,080)</b>	0
- provision against slow moving stores and spares	<b>(175)</b>	(175)
	<b>65,005</b>	61,335

**13. SHORT TERM FINANCES - Secured**

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.180 million (2009: Rs.140 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 14.41% to 14.85% (2009: 11.82% to 16.52%) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.80 million (2009: Rs.50 million). The aggregate facilities are secured against pledge of stock-in-trade, lien on import documents and first charge on fixed assets of the Company for Rs.160 million.

These facilities are available upto 30 September, 2010.

**14. TRADE AND OTHER PAYABLES**

	Note	2010 (Rupees in thousand)	2009
Due to Associated Companies		0	583
Creditors		11,975	10,643
Bills payable against imported raw materials - secured		32,172	11,309
Advances from customers		2,413	2,064
Security deposits - interest free, repayable on demand		1,800	1,800
Accrued expenses		9,256	13,077
Workers' (profit) participation fund	14.1	2,422	2,349
Waqf-e-Kuli Khan	31.1	3,070	2,152
Income tax deducted at source		65	27
Workers' welfare fund		843	829
Unclaimed dividends		1,348	1,348
Others		52	79
		<b>65,416</b>	<b>46,260</b>
<b>14.1 Workers' (profit) participation fund - (the Fund)</b>			
Opening balance		2,349	2,562
Add: interest on funds utilised in the Company's business		99	77
		<b>2,448</b>	<b>2,639</b>
Less: payments made to Trustees of the Fund		2,245	2,473
		<b>203</b>	<b>166</b>
Allocation for the year		2,219	2,183
		<b>2,422</b>	<b>2,349</b>
<b>15. TAXATION - Net</b>			
Opening balance		8,235	16,300
Add: provision made during the year for :			
- current year	15.2	2,080	8,235
- prior years - net		1,165	79
		<b>3,245</b>	<b>8,314</b>
		<b>11,480</b>	<b>24,614</b>
Less: adjustments / payment against completed assessments		8,671	16,379
		<b>2,809</b>	<b>8,235</b>

- 15.1** Income tax assessments of the Company have been completed upto the Tax Year 2009; the return for the said year has not been taken-up for audit till 30 June, 2010.
- 15.2** Provision for the current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). Due to location in the most affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Ordinance starting from the tax year 2010.
- 15.3** The Company had filed a Reference Application before the Lahore High Court against the orders of the Income Tax Appellate Tribunal for set-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.
- 15.4** The Income Tax Department (the Department) has issued amended assessment order under section 122(5A) of the Ordinance raising tax demand amounting Rs.1.781 million against which Reference has been filed with the Lahore High Court, which is pending adjudication. However, the Department during June, 2010 has issued a rectification order creating net demand of Rs.775 thousand, which has been provided for in the books of account.

**16. CONTINGENCIES AND COMMITMENTS**

<b>16.1</b>	Refer contents of note 15.3.	<b>2010</b>	<b>2009</b>
		<b>(Rupees in thousand)</b>	
<b>16.2</b>	Commitments against irrevocable letters of credit for raw materials and spare parts	<b>15,211</b>	<b>19,579</b>

## 17. OPERATING FIXED ASSETS

	Owned												Leased	Total	
	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 TV.	Vehicles	Arms		Vehicles
	Factory	Residential	Others												
Rupees in thousand															
<b>As at 30 June, 2008</b>															
Cost / Revaluation	198,000	24,892	7,514	17,554	355,696	464	15	590	2,532	375	954	11,829	60	9,176	629,651
Accumulated depreciation	0	12,180	3,601	4,988	178,466	345	12	322	1,818	278	834	6,861	37	3,000	212,742
<b>Book value</b>	<b>198,000</b>	<b>12,712</b>	<b>3,913</b>	<b>12,566</b>	<b>177,230</b>	<b>119</b>	<b>3</b>	<b>268</b>	<b>714</b>	<b>97</b>	<b>120</b>	<b>4,968</b>	<b>23</b>	<b>6,176</b>	<b>416,909</b>
<b>Year ended 30 June, 2009:</b>															
Additions	0	0	0	300	31,450	0	0	0	3,269	33	29	0	0	2,614	37,695
Transfers	0	0	0	0	0	0	0	0	0	0	0	1,958	0	(1,958)	0
Disposals:															
- cost	0	0	0	0	(35)	0	0	0	0	(23)	(21)	(1,789)	0	0	(1,868)
- depreciation	0	0	0	0	22	0	0	0	0	17	20	1,525	0	0	1,584
<b>Depreciation charge</b>	<b>0</b>	<b>636</b>	<b>196</b>	<b>629</b>	<b>8,992</b>	<b>6</b>	<b>0</b>	<b>13</b>	<b>198</b>	<b>6</b>	<b>39</b>	<b>1,232</b>	<b>1</b>	<b>1,497</b>	<b>13,445</b>
<b>Book value as at June 30, 2009</b>	<b>198,000</b>	<b>12,076</b>	<b>3,717</b>	<b>12,237</b>	<b>199,675</b>	<b>113</b>	<b>3</b>	<b>255</b>	<b>3,785</b>	<b>118</b>	<b>109</b>	<b>5,430</b>	<b>22</b>	<b>5,335</b>	<b>440,875</b>
<b>Year ended 30 June, 2010:</b>															
Additions	0	1,336	0	25	35,079	0	0	0	0	0	27	0	0	0	36,467
Transfers	0	0	0	0	0	0	0	0	0	0	0	1,261	0	(1,261)	0
Disposals:															
cost	0	0	0	0	0	0	0	0	0	0	(401)	(1,539)	0	0	(1,940)
depreciation	0	0	0	0	0	0	0	0	0	0	390	1,330	0	0	1,720
<b>Depreciation charge</b>	<b>0</b>	<b>653</b>	<b>186</b>	<b>612</b>	<b>11,418</b>	<b>6</b>	<b>0</b>	<b>13</b>	<b>189</b>	<b>6</b>	<b>35</b>	<b>1,257</b>	<b>1</b>	<b>868</b>	<b>15,244</b>
<b>Book value as at June 30, 2010</b>	<b>198,000</b>	<b>12,759</b>	<b>3,531</b>	<b>11,650</b>	<b>223,336</b>	<b>107</b>	<b>3</b>	<b>242</b>	<b>3,596</b>	<b>112</b>	<b>90</b>	<b>5,225</b>	<b>21</b>	<b>3,206</b>	<b>461,878</b>
<b>As at 30 June, 2009</b>															
Cost / Revaluation	198,000	24,892	7,514	17,854	387,111	464	15	590	5,901	385	962	13,504	60	8,326	665,478
Accumulated depreciation	0	12,816	3,797	5,617	187,436	351	12	335	2,016	267	853	8,074	38	2,991	224,603
<b>Book value</b>	<b>198,000</b>	<b>12,076</b>	<b>3,717</b>	<b>12,237</b>	<b>199,675</b>	<b>113</b>	<b>3</b>	<b>255</b>	<b>3,785</b>	<b>118</b>	<b>109</b>	<b>5,430</b>	<b>22</b>	<b>5,335</b>	<b>440,875</b>
<b>As at 30 June, 2010</b>															
Cost / Revaluation	198,000	26,228	7,514	17,879	422,190	464	15	590	5,801	385	588	13,226	60	7,065	700,005
Accumulated depreciation	0	13,469	3,983	6,229	198,854	357	12	348	2,205	273	498	8,001	39	3,859	238,127
<b>Book value</b>	<b>198,000</b>	<b>12,759</b>	<b>3,531</b>	<b>11,650</b>	<b>223,336</b>	<b>107</b>	<b>3</b>	<b>242</b>	<b>3,596</b>	<b>112</b>	<b>90</b>	<b>5,225</b>	<b>21</b>	<b>3,206</b>	<b>461,878</b>
<b>Depreciation rate (%)</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>30</b>	<b>20</b>	<b>5</b>	<b>20</b>	

## 17.1 Depreciation for the year has been apportioned as under:

	2010 (Rupees in thousand)	2009
Cost of sales	12,267	9,831
Administrative expenses	2,977	3,614
	<b>15,244</b>	<b>13,445</b>

**17.2 Disposal of operating fixed assets**

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal / sold through negotiations to:
----- Rupees in thousand -----						
<b>Computers</b>	401	390	11	0	(11)	Write-off.
<b>Vehicles</b>						
Nissan Sunny	781	644	137	405	268	Haji Watan Khan, Matti Khail, Rehmat Abad, District Karak.
Nissan Sunny	758	686	72	261	189	Mr. Zaheer Mir, 08-Bashir Lane, Peshawar Cantt.
	1,539	1,330	209	666	457	
	1,940	1,720	220	666	446	

**17.3** 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:

	2010	2009
	Rupees in thousand	
Freehold land	152	152
Buildings on freehold land	11,133	10,339
Plant & machinery	177,034	150,936
<b>18. CAPITAL WORK-IN-PROGRESS</b>		
Plant and machinery	824	32,356
Advance payments against:		
- buildings	0	824
- vehicle	1,470	0
	1,470	824
	2,294	33,180
<b>19. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted</b>		
<b>Babri Cotton Mills Ltd. (BCM)</b>		
125,584 (2009: 125,584) ordinary shares of Rs.10 each - cost	1,632	1,632
Equity held 4.34% (2009: 4.34%)		
Post acquisition profit brought forward including effect of items directly credited in equity by BCM	(284)	2,809
Profit / (loss) for the year - net of taxation	3,926	(2,683)
	5,274	1,758
<b>Janana De Malucho Textile Mills Ltd. (JDM)</b>		
1,559,230 (2009:418,330) ordinary shares of Rs.10 each - cost	27,762	4,944
Equity held 36.21% (2009: 13.22%)		
Post acquisition profit brought forward including effect of items directly credited in equity by JDM	25,361	23,887
Profit (loss) for the year - net of taxation	34,415	(11,668)
	87,538	17,163
	92,812	18,921
Less: impairment loss	0	(15,541)
	92,812	3,380

**19.1** Fair value of investments in BCM as at 30 June, 2010 was Rs.1.644 million (2009: Rs.0.703 million).

**19.2** Fair value of investments in JDM as at 30 June, 2010 was Rs.22.375 million (2009: Rs.2.677 million).

**19.3** Summarised financial information of BCM, based on the audited financial statements for the year ended 30 June, 2010, is as follows:

	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>(Rupees in thousand)</b>			
- equity as at 30 June,		<b>133,425</b>	28,724
- total assets as at 30 June,		<b>1,377,411</b>	1,364,717
- total liabilities as at 30 June,		<b>799,418</b>	886,518
- revenue for the year ended 30 June,		<b>1,195,591</b>	746,961
- profit / (loss) before taxation for the year ended 30 June,		<b>154,897</b>	(104,001)
- profit / (loss) after taxation for the year ended 30 June,		<b>102,343</b>	(73,683)

**19.4** Summarised financial information of JDM, based on the audited financial statements for the year ended 30 June, 2010, is as follows:

- equity as at 30 June,		<b>263,337</b>	108,276
- total assets as at 30 June,		<b>2,444,962</b>	1,977,223
- total liabilities as at 30 June,		<b>1,153,187</b>	1,184,516
- revenue for the year ended 30 June,		<b>1,454,537</b>	1,071,738
- profit / (loss) before taxation for the year ended 30 June,		<b>174,411</b>	(149,174)
- profit / (loss) after taxation for the year ended 30 June,		<b>116,642</b>	(109,886)

**20. DEPOSIT FOR SHARES**

Janana De Malucho Textile Mills Ltd. (JDM) had previously announced 300% right issue, which was cancelled with the permission of shareholders of JDM in their meeting held on 30 October, 2006. The Company, however, had advanced money at that time amounting Rs.22.818 million against the said right issue. This amount of Rs.22.818 million was adjusted during the current year against the issue of 1,140,900 ordinary shares as otherwise than right at price of Rs.20 per share to the Company as approved by the Board of Directors of JDM in their meeting held on 06 August, 2009. The Securities and Exchange Commission of Pakistan had also allowed JDM to issue 1,140,900 ordinary shares at Rs.20 per share under section 86 (1) of the Companies Ordinance, 1984 otherwise than right to the Company against conversion of Deposit for Shares.

**21. STORES AND SPARES**

Stores		<b>7,489</b>	6,363
Spares		<b>14,290</b>	14,441
	<b>21.1</b>	<b>21,779</b>	20,804
Less: provision against slow moving stores and spares		<b>500</b>	500
		<b>21,279</b>	20,304

**21.1** Inventory valuing Rs.783 thousand was in transit as at 30 June, 2010 (2009: Rs Nil)

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

<b>22. STOCK-IN-TRADE</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>(Rupees in thousand)</b>	
Raw materials:			
- at warehouse		<b>106,675</b>	81,066
- in transit		<b>29,632</b>	32,193
		<b>136,307</b>	113,259
Work-in-process		<b>23,352</b>	14,369
Finished goods		<b>106,015</b>	74,644
		<b>265,674</b>	202,272
<b>23. TRADE DEBTS - Unsecured - Considered good</b>			
Mark-up has been charged on the balances due after normal credit term and grace period at the rates applicable on short term finances as disclosed in note 13.			
<b>24. TRADE DEPOSITS AND PREPAYMENTS</b>			
Security deposits		<b>972</b>	20
Prepayments		<b>13</b>	164
Letters of credit		<b>184</b>	269
		<b>1,169</b>	453
<b>25. DUE FROM ASSOCIATED COMPANIES</b>			
<b>On account of normal trading transactions</b>			
Babri Cotton Mills Limited		<b>0</b>	1
Janana De Malucho Textile Mills Limited		<b>0</b>	5,958
		<b>0</b>	5,959
<b>On account of mark-up</b>			
Babri Cotton Mills Limited		<b>0</b>	186
Janana De Malucho Textile Mills Limited		<b>284</b>	0
		<b>284</b>	186
		<b>284</b>	6,145
<b>26. CASH AND BANK BALANCES</b>			
Cash-in-hand		<b>323</b>	289
Cash at banks on:			
- current accounts		<b>1,421</b>	244
- dividend accounts		<b>179</b>	179
- PLS accounts	<b>26.1</b>	<b>51</b>	53
		<b>1,651</b>	476
		<b>1,974</b>	765

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

<b>27. SALES - Net</b>	<b>Note</b>	<b>2010</b>	2009
		<b>(Rupees in thousand)</b>	
Fabrics and blankets		<b>415,881</b>	391,146
Waste		<b>1,240</b>	1,470
		<b>417,121</b>	392,616
Less: discount		<b>1,693</b>	1,336
		<b>415,428</b>	391,280
<b>28. COST OF SALES</b>			
Raw materials consumed	<b>28.1</b>	<b>199,897</b>	160,035
Salaries, wages and benefits	<b>28.2</b>	<b>61,661</b>	58,388
Power and fuel		<b>43,095</b>	38,302
Stores consumed		<b>14,788</b>	14,465
Repair and maintenance		<b>9,024</b>	10,112
Depreciation		<b>12,267</b>	9,831
Insurance		<b>1,406</b>	1,350
Others		<b>317</b>	251
		<b>342,455</b>	292,734
Adjustment of work-in-process			
Opening		<b>14,369</b>	12,525
Closing		<b>(23,352)</b>	(14,369)
		<b>(8,983)</b>	(1,844)
Cost of goods manufactured		<b>333,472</b>	290,890
Adjustment of finished goods			
Opening stock		<b>74,644</b>	79,023
Closing stock		<b>(106,015)</b>	(74,644)
		<b>(31,371)</b>	4,379
		<b>302,101</b>	295,269



<b>28.1 Raw materials consumed</b>	<b>Note</b>	<b>2010 (Rupees in thousand)</b>	<b>2009</b>
Purchases		<b>222,945</b>	224,843
Adjustment of stock			
- opening		<b>113,259</b>	48,451
- closing		<b>(136,307)</b>	(113,259)
		<b>(23,048)</b>	(64,808)
		<b>199,897</b>	160,035

**28.2 These include following in respect of gratuity:**

- current service cost		<b>4,176</b>	7,637
- interest cost		<b>1,657</b>	1,046
- past service cost - vested benefits		<b>5,056</b>	0
- actuarial loss recognised		<b>340</b>	170
		<b>11,229</b>	8,853

**29. DISTRIBUTION COST**

Salaries and benefits	<b>29.1</b>	<b>935</b>	827
Travelling		<b>13</b>	15
Commission		<b>15,440</b>	14,465
Outward freight		<b>0</b>	4
Sales promotion / samples		<b>336</b>	504
Communication		<b>20</b>	15
Vehicles' running		<b>125</b>	184
Others		<b>82</b>	31
		<b>16,951</b>	16,045

**29.1 These include following in respect of gratuity:**

- current service cost		<b>59</b>	109
- interest cost		<b>24</b>	15
- past service cost - vested benefits		<b>72</b>	0
- actuarial loss recognised		<b>5</b>	2
		<b>160</b>	126

**29.2** The Company has shared expenses aggregating Rs.8.029 million (2009: Rs.6.029 million) on account of the Combined Offices with its Associated Companies. These expenses have been booked in respective heads of account.

**30. ADMINISTRATIVE EXPENSES**

	Note	2010 (Rupees in thousand)	2009
Salaries and benefits	30.1	31,547	20,073
Travelling		1,859	1,264
Rent, rates and taxes		1,442	1,301
Entertainment / guest house expenses		484	416
Communication		557	588
Printing and stationery		454	425
Electricity		1,298	1,310
Insurance		28	28
Repair and maintenance		619	528
Vehicles' running		1,963	2,088
Advertisement		135	168
Subscription / papers and periodicals		194	192
Depreciation		2,977	3,614
Auditors' remuneration:			
- statutory audit		275	225
- half yearly review		60	100
- consultancy charges		16	80
- certification charges		10	10
- out-of-pocket expenses		24	21
		385	436
Legal and professional charges (other than Auditors')		1,044	677
Others		51	36
		<b>45,037</b>	<b>33,144</b>

**30.1 These include following in respect of gratuity:**

- current service cost	5,284	2,254
- interest cost	2,096	308
- past service cost - vested benefits	6,397	0
- actuarial loss recognised	431	50
	<b>14,208</b>	<b>2,612</b>

**31. OTHER OPERATING EXPENSES**

Donations		2	245
Donation to Waqf-e-Kuli Khan	31.1	1,042	1,016
Workers' (profit) participation fund		2,219	2,183
Workers' welfare fund - net		491	853
Obsolete computers - written-off		11	0
		<b>3,765</b>	<b>4,297</b>

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

- |   |                               |
|---|-------------------------------|
| - Mr. Raza Kuli Khan Khattak                | - 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>32. OTHER OPERATING INCOME</b>	<b>2010</b>	<b>2009</b>
	<b>(Rupees in thousand)</b>	
<b>Income from financial assets</b>		
Mark-up earned on:		
- Associated Companies' balances	<b>484</b>	204
- dealers' balances	<b>871</b>	705
- PLS accounts	<b>156</b>	102
	<b>1,511</b>	1,011
<b>Income from other than financial assets</b>		
Sale of empties / scrap	<b>661</b>	1,233
Unclaimed balances / excess provisions written-back	<b>778</b>	2
Gain on disposal of operating fixed assets - net	<b>457</b>	528
Others	<b>22</b>	0
	<b>1,918</b>	1,763
	<b>3,429</b>	2,774
<b>33. FINANCE COST</b>		
Interest on workers' (profit) participation fund	<b>99</b>	77
Mark-up on:		
- Associated Companies' balances	<b>111</b>	90
- short term finances	<b>9,053</b>	3,952
- letters of credit	<b>772</b>	758
Lease finance charges	<b>444</b>	706
Bank charges	<b>138</b>	115
	<b>10,617</b>	5,698
<b>34. EARNINGS / (LOSS) PER SHARE</b>		
There is no dilutive effect on the earnings / (loss) per share of the Company, which is based on:		
Profit / (loss) after tax attributable to ordinary shareholders	<b>87,353</b>	(5,267)
	<b>N u m b e r s</b>	
Weighted average number of ordinary shares in issue during the year	<b>7,605,000</b>	7,605,000
	<b>Rupees</b>	
Earnings / (loss) per share	<b>11.49</b>	(0.69)

**35. FINANCIAL INSTRUMENTS**

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

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

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

**35.1 Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and primarily arises from trade debts. Out of the total financial assets of Rs.47,020 thousand (2009: Rs.57,312 thousand), the financial assets which are subject to credit risk aggregated to Rs.46,697 thousand (2009:Rs.57,023 thousand).

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

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

The maximum exposure to credit risk as at 30 June, 2010 along with comparative is tabulated below:

	2010	2009
	(Rupees in thousand)	
Security deposits	2,809	276
Trade debts	40,981	50,106
Due from Associated Companies	284	6,145
Trade deposits	972	20
Bank balances	1,651	476
	<u>46,697</u>	<u>57,023</u>

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	35,162	33,941
Past due 1 - 30 days	2,962	5,871
Past due 30 - 150 days	2,857	10,294
	<u>40,981</u>	<u>50,106</u>

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.5,985 thousand have been realised during July, 2010 and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

### 35.2 Liquidity risk

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

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

2010				
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	
----- Rupees in thousand -----				
<b>Liabilities against assets subject to finance lease</b>	<b>1,774</b>	<b>1,969</b>	<b>1,723</b>	<b>246</b>
<b>Short term finances</b>	<b>92,422</b>	<b>95,752</b>	<b>95,752</b>	<b>0</b>
<b>Trade and other payables</b>	<b>59,673</b>	<b>59,673</b>	<b>59,673</b>	<b>0</b>
	<b>153,869</b>	<b>157,394</b>	<b>157,148</b>	<b>246</b>
2009				
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	
----- Rupees in thousand -----				
Liabilities against assets subject to finance lease	3,344	4,049	2,044	2,005
Short term finances	109,414	117,538	117,538	0
Trade and other payables	40,991	40,991	40,991	0
	153,749	162,578	160,573	2,005

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

### 35.3 Market risk

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

#### (a) Currency risk

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

	2010	2009
	(Rupees in thousand)	
Bills payable	<b>32,172</b>	11,309
Outstanding letters of credit	<b>15,211</b>	19,579
<b>Total exposure</b>	<b>47,383</b>	30,888

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2010	2009	2010	2009
US \$ to Rupee	<b>84.26</b>	78.89	<b>85.60</b>	81.30

#### Sensitivity analysis

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

Effect on profit / (loss) for the year:	2010	2009
	(Rupees in thousand)	
US \$ to Rupee	<u>3,217</u>	<u>1,131</u>

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

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

#### (b) Interest rate risk

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

	2010	2009	2010	2009
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Bank balances	5	5	<u>51</u>	<u>53</u>
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Liabilities against assets				
subject to finance lease	16.44 to 18.26	15.86 to 21.20	<u>1,774</u>	<u>3,344</u>
Short term finances	14.41 to 14.85	11.82 to 16.52	<u>92,422</u>	<u>109,414</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 and loss. Therefore, a change in profit and mark-up rates at the reporting date would not affect profit and loss account.

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

A change of 100 basis points (bp) in profit and mark-up rates at the balance sheet date would have decreased / (increased) profit / (loss) for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Increase	Decrease
	(Rupees in thousand)	
<b>As at 30 June, 2010</b>		
Cash flow sensitivity-Variable rate financial liabilities	<u>(942)</u>	<u>942</u>
As at 30 June, 2009		
Cash flow sensitivity-Variable rate financial liabilities	<u>(1,128)</u>	<u>1,128</u>

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



**35.4 Fair value of financial instruments**

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

**36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive		Working Directors		Executives	
	2010	2009	2010	2009	2010	2009
----- Rupees in thousand -----						
Remuneration (including bonus)	3,426	2,030	3,183	4,584	2,214	3,346
Retirement benefits - gratuity	8,544	319	2,161	1,347	3,414	163
House rent	857	216	563	1,299	309	0
Insurance	0	2	2	2	17	20
Reimbursement of medical and other expenses	244	121	60	86	121	84
Utilities	123	144	172	331	121	0
	<b>13,194</b>	<b>2,832</b>	<b>6,141</b>	<b>7,649</b>	<b>6,196</b>	<b>3,613</b>
Number of persons	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
	<b>note 36.4</b>		<b>note 36.4</b>			

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

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

**36.3** In addition to above, meeting fees of Rs.550 thousand (2009: Rs.193 thousand) were also paid to seven (2009: seven) non-working directors.

**36.4** After the death of Mr. Muhammad Azhar Khan during the year, Mrs. Shahnaz Sajjad Ahmad (a working director) has been appointed Chief Executive of the Company with effect from 30 December, 2009 for the remaining term to be ended on 31 March, 2011.

**37. TRANSACTIONS WITH RELATED PARTIES**

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

	2010	2009
	(Rupees in thousand)	
- purchase of goods and services	5,449	5,970
- mark-up earned	484	204
- mark-up charged	111	90
- management charges:		
- paid	469	2,613
- received	2,223	832
- insurance claim received	0	136
- insurance premium paid	2,520	4,624
- issue of shares against deposit for shares	22,818	0

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

**37.3** Mark-up has been earned and charged at the rates ranging from 14.09% to 14.77% (2009: 14.77% to 17.52%) and 14.09% to 14.77% (2009: 11.82% to 16.52%) per annum respectively calculated on daily product basis on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Limited as these balances have arisen on account of insurance premium payable.

**38. CAPITAL RISK MANAGEMENT**

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

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

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

	<b>2010</b>	<b>2009</b>
	<b>Rupees in thousand</b>	
Total borrowings	<b>94,196</b>	112,758
Less: Cash and bank balances	<b>1,974</b>	765
Net debt	<b>92,222</b>	111,993
Total equity	<b>414,754</b>	312,510
Total capital	<b>506,976</b>	424,503
Gearing ratio	<b>18%</b>	26%

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

**39. CAPACITY AND PRODUCTION**

	<b>2010</b>	<b>2009</b>
<b>Yarn</b>		
Number of spindles installed	<b>3,346</b>	3,346
Number of spindles/shifts worked	<b>2,155,110</b>	2,081,950
Installed capacity at 5 Nm count (Kgs.)	<b>1,993,096</b>	1,610,280
Actual production converted into 5 Nm count (Kgs.)	<b>1,467,871</b>	1,281,733
Number of shifts worked	<b>856</b>	913
<b>Cloth</b>		
Number of looms installed	<b>46</b>	46
Number of looms/shifts worked	<b>34,190</b>	31,001
Installed capacity of 46 (2009: 46) operational looms at 30 picks (Meters) (single shift)	<b>1,634,798</b>	1,634,798
Actual production converted into 30 picks (Meters) (03 shifts)	<b>1,879,032</b>	1,521,667
Number of shifts worked	<b>920</b>	861

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

**40. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE**

The Federal Government, subsequent to the balance sheet date, has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA / PATA / Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, has applied to avail mark-up rate differential on short term finances outstanding as at 31 December, 2009. The Company's claims aggregating Rs.957 thousand are being processed by National Bank of Pakistan for onward submission to State Bank of Pakistan for payment.

**41. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

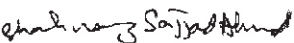
The Board of Directors, in their meeting held on 07 October, 2010, have proposed a final cash dividend for the year ended 30 June, 2010 of Rs. 2 per share (2009: Rs. NIL) amounting to Rs. 15.210 million (2009: Rs. Nil) for approval of the members at the Annual General Meeting to be held on 31 October, 2010. The Board of Directors have also recommended to transfer Rs. 165.790 million (2009: Rs. Nil) to general reserve from un-appropriated profit.

**42. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 07 October, 2010 by the board of directors of the Company.

**43. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

  
**Shahnaz Sajjad Ahmad**  
Chief Executive

  
**Mushtaq Ahmad Khan, FCA**  
Director

**BANNU WOOLLEN MILLS LIMITED**

**FORM OF PROXY**

I/We \_\_\_\_\_ of \_\_\_\_\_ being in the district of \_\_\_\_\_ being a member of Bannu Woollen Mills Limited and holder of \_\_\_\_\_ Ordinary Shares as per the Share Register Folio No. \_\_\_\_\_ and /or CDC Participant I.D. No. \_\_\_\_\_ and Sub-Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 50<sup>th</sup> Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 31st October 2010 at 11:00 A.M and at any adjournment thereof.

**Witnesses:**

1. As witness my hand this ..... day of ..... 2010.

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

2. As witness my hand this ..... day of ..... 2010.

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

Please affix five rupees revenue stamp
--

Signatures of member

Please fill in the applicable columns:

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

**Note:**

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

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

**FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES:**

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

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