

بِهِمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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## COMPANY'S PROFILE

Board Of Directors	Mr. Raza Kuli Khan Khattak Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Mushtaq Ahmad Khan, FCA Mr. Gohar Ayub Dr. Shaheen Kuli Khan Syed Zubair Ahmed Shah (NIT) Mr. Ahmad Zeb Khan (Independent)	Chairman  Chief Executive
Audit Committee	Mr. Ahmad Zeb Khan Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA	Chairman Member Member Member
Human Resource & Remuneration Committee	Lt. Gen. (Retd) Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak	Chairman Member / CEO Member
Company Secretary	Mr. Waqar Ahmad	
Chief Financial Officer	Mr. A.R. Tahir Chief Operating Officer (COO)	
Head Of Internal Audit	Mr. Salman Khan - ACA	
Auditors	M/S. ShineWing Hameed Chaudhri & Co., Chartered Accountants	
Bankers	National Bank Of Pakistan Bank Alfalah Ltd	
Legal Adviser	M/S Hassan & Hassan, Advocates Paaf Building, 1-D, Kashmir/ Egerton Road, Lahore	
Tax Consultant	M. Nawaz Khan & Co 1-Ground Floor, Farrah Centre, 2 Mozang Road, Lahore	
Registrars & Shares Registration Office	Management & Registration Services (Pvt) Limited. Business Executive Centre, F/17/3, Block 8, Clifton, Karachi Phone 021-35369174, 35375127-29 Fax. 021-35820325 E-Mail registrationservices@live.co.uk	
Registered Office	Bannu Woollen Mills Ltd D.I.Khan Road, Bannu Tel. (0928) 615131, 611350 Fax. (0928) 611450 E-Mail: bannuwoollen@yahoo.com Web Site " www.bwm.com.pk "	
Mills	D.I.Khan Road, Bannu Tel. (0928) 613151, 611350 Fax (0928) 611450 E-Mail: bannuwoollen@yahoo.com bwm ltd2k@gmail.com Web Site " www.bwm.com.pk "	

## VISION

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

## MISSION STATEMENT

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

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

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 56<sup>th</sup> Annual General Meeting of the Shareholders of Bannu Woollen Mills Limited will be held at the registered office of the Company, Bannu Woollen Mills Limited, D.I. Khan Road, Bannu on Saturday the 29<sup>th</sup> October 2016 at 08:00 A.M. to transact the following business.

**A. ORDINARY BUSINESS:**

1. To confirm the minutes of Annual General Meeting held on 22<sup>nd</sup> October 2015.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30<sup>th</sup> June 2016 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 2016. The Board of Directors has recommended & approved the final cash dividend @50% i.e. Rs.5/- per share for the year ended 30<sup>th</sup> June 2016.
4. To appoint auditors for the year ending 30<sup>th</sup> June 2017 and to fix their remuneration.

**B. SPECIAL BUSINESS:**

5. That the following resolutions be passed by the shareholders at the AGM as a Special Resolution to amend the Articles of Association of the Company, with or without modification in order to enable the e-voting mechanism for the shareholders of the Company:

"RESOLVED THAT the Articles of Association of Bannu Woollen Mills Ltd (the 'Company'), be amended by adding a new Article #67A under the heading of 'E-Voting of Members' as follows:

'The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in this Article, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein'.

FURTHER RESOLVED that the Chief Executive Officer and/or the Company Secretary, be and are hereby jointly or severally authorized to take such other steps, execute such other documents and make necessary corporate and other filings as may be necessary or expedient for the purpose of giving effect to the above resolutions and all other matters incidental or ancillary thereto."

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

By order of the Board



WAQAR AHMAD  
Company Secretary

Kohat  
Dated: 07<sup>th</sup> October 2016

**NOTES:****BOOK CLOSURE:**

1. The Share transfer books of the Company shall remain closed from 23rd October 2016 to 31st October 2016 (both days inclusive). The shares received in the Company's Registrar office i.e. Management & Registration Services (Pvt) Limited, Business Executive Centre, F-17/3, Block 8, Clifton, Karachi before close of business hours on 22nd October 2016 will be considered in order for registration in the name of the transferees.

**COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)**

2. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 779(I)/2011 dated August 18, 2011 has directed all listed companies to ensure that Dividend Warrants should bear the Computerized National identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs / NTN's (in case corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.

**REVISION OF WITHHOLDING TAX ON DIVIDEND INCOME UNDER SECTION 150 OF THE FINANCE ACT 2016:**

3. Please note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2016 withholding tax on dividend income will be deducted for 'Filer' and 'Non- Filer' shareholders @ 12.50% and 20% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer, Non-Filer' status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions, in case of joint accounts.
- In this regard, all shareholders who hold shares jointly, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must be reached to our Share Registrar by 22nd October 2016 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s)

Shareholders are therefore requested to please check and ensure Filer status from Active Taxpayer List (ATL) available at FBR website <http://www.fbr.gov.pk/> as well as ensure that ,CNIC / passport number has been recorded by the participant / Investor Account Services by Share Registrar (in case of physical shareholding) Corporate bodies (non' individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in ATL at FBR website and recorded by respective Participant / Investor Account Services or in case of physical shareholding by Company's Share Registrar.

**DELIVERY OF THE UNCLAIMED / UNDELIVERED SHARES LYING WITH THE SHARE REGISTRAR:**

4. As directed by SECP vide letter # SMD/CIW/Misc/14/2009 dated October 11, 2011 shareholders are requested to please contact / coordinate with Company's Share Registrar for collection of unclaimed / Undelivered Bonus Share Certificates.

**TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:**

5. In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated September 8, 2014, those shareholders who desire to receive Notice & Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. [www.bwm.com.pk](http://www.bwm.com.pk) and send the said form duly filled in and signed along with copy of his / her / its CNIC / Passport to the Company's Share Registrar. Please note that giving email address for receiving of Notice & Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, Notice & Annual Financial Statements will be sent at your registered address, as per normal practice.

**DIVIDEND MANDATE (OPTIONAL):**

6. A shareholder may, if he so desires, direct the Company to pay dividend through his / her / its bank account. If you want to avail the facility of direct credit of dividend amount in your bank account, please provide the requisite information to Company's Share Registrar and CDC Shareholders are requested to send their bank account details to their respective Participant / Investor Account Services. In pursuance of directions given by SECP, kindly authorize the bank for direct credit of cash dividend in your bank account. (Please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, dividend will be paid through dividend warrant to your registered address, as per normal practice).

Standard request form is available at the Company's website i.e. [www.bwm.com.pk](http://www.bwm.com.pk)

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

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

**PARTICIPATION IN ANNUAL GENERAL MEETING:**

8. Any member entitled to attend and vote at this meeting shall be entitled to appoint any other member 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 date of the meeting.

**INSTRUCTION FOR CDC ACCOUNT HOLDERS:**

9. 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 and 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.
  - c. CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNIC) or Original Passports for the purpose of identification to participate in the Annual General Meeting, Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.

**STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984 REGARDING SPECIAL BUSINESS:****Item No. 5 of the Notice:**

To give effect to the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-Voting mechanism.

There is no direct or indirect interest of any of the directors of the company in the special business, and their interest is the same as the interest of the shareholders.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Bannu Woollen Mills Ltd. take pleasure in presenting the Directors' report along with 56th annual report and audited financial statements for the year ended June 30, 2016.

### FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR, 2016

We are pleased to report that your Company has earned profit before tax amounting Rs.102.562 million (2015: Rs. 96.330 million) including the share of profit of Associated Companies amounting Rs.3.709 million (2015: 1.918 million) and profit after tax amounting Rs.74.624 million (2015: Rs. 62.897 million).

### FINANCIAL RESULTS

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

	Year ended June 30,	
	2016	2015
	---- (Rupees in '000) ----	
<b>Sales - Net</b>	<b>749,408</b>	796,977
<b>Gross Profit</b>	<b>238,802</b>	248,343
<b>Profit from Operations</b>	<b>104,360</b>	106,707
<b>Profit before Taxation</b>	<b>102,562</b>	96,330
<b>Profit after Taxation</b>	<b>74,624</b>	62,897
	----- Rupees -----	
<b>Earnings per Share</b>	<b>7.85</b>	6.62

### DIVIDENDS AND APPROPRIATIONS

Considering the current financial position, the directors have recommended cash dividend of Rs. 5/- per share i.e. 50% (June 30, 2015: Rs. 3 per share). Accordingly, the appropriation of profit will be as under:

	Year ended June 30,	
	2016	2015
	---- (Rupees in '000) ----	
Profit available for appropriation	<b>79,923</b>	75,940
Appropriation:		
Transfer to General Reserve	<b>32,000</b>	47,000
Cash Dividend 50% (2015: 30%)	<b>47,532</b>	28,519
	<b>79,532</b>	75,519
Un-appropriated profit carried forward	<b>391</b>	421

### OPERATING PERFORMANCE

With the installed capacity of 3,794 woollen spindles and 50 shuttle less looms (2015: capacity was 3,346 woollen spindles and 50 shuttle less looms), the Company has produced 1,430,401 Kgs of 5 Nm of count yarn and 1,538,136 meters cloth based on 30 picks in year under review as compared to 1,379,131 Kgs of 5 Nm of count yarn and 1,834,325 meters cloth based on 30 picks for the year ended 30th June, 2015. Production during the year decreased by 296,189 meters (16.15%) as compared to year 2015 because the production of coarse cloth like woollen shawls as well as Byrna suiting was not undertaken as there was no market demand for the same and instead low production and value added fine blended fabrics were produced which helped us to maintain our financial results.

## **FUTURE PROSPECTS**

The Company is focused on growth opportunities and is determined to significantly improve its operating results. Keeping in view of the market opportunities, the management of the Company is focused to replace the old machinery with new to enhance the production capacity and quality. The Company has established the marketing function which is also striving for the development of new products and markets which will impact the sales revenue of the Company in coming winter season.

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Following are the statements on Corporate and Financial Reporting Framework:

1. The financial statements, prepared by the management of Bannu Woollen Mills Ltd., present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. The Company has maintained proper books of account.
4. International accounting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as ongoing process with objective to strengthen the controls and bring improvements in the system.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the 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 June 30, 2016, except for those disclosed in the financial statements.



## COMMUNICATION

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

## CORPORATE SOCIAL RESPONSIBILITY

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

## HUMAN RESOURCE MANAGEMENT

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

## BOARD AUDIT COMMITTEE

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

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

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

In addition to above meetings, Audit Committee also met with external auditors without Chief Financial Officer and Head of Internal Audit. Audit Committee shall meet the head of internal audit and other Members of the internal audit function without the CFO and the external auditors being present.

## MEETINGS OF BOARD AND ITS COMMITTEES IN 2015-16

During the year 2015-16 four board meetings, four audit committee and one HR & Remuneration committee meetings were held. The number of meetings attended by each director during the year is given here under:

Sr. No.	Director	Status	Committee Members		Attendance		
			Board Audit Committee	HR & Remuneration Committee	Board Meetings	Board Audit Committee	HR & Remuneration Committee
1.	Mr. Raza Kuli Khan Khattak	Re-elected on March 31, 2014	-	-	3 / 4	-	-
2.	Lt. Gen (Retd.) Ali Kuli Khan Khattak	Re-elected on March 31, 2014	✓	✓	3 / 4	4 / 4	1 / 1
3.	Mrs. Shahnaz Sajjad Ahmed	Re-elected on March 31, 2014	-	✓	3 / 4	-	1 / 1
4.	Mr. Ahmed Kuli Khan Khattak	Re-elected on March 31, 2014	✓	✓	3 / 4	4 / 4	1 / 1
5.	Mr. Mushtaq Ahmed Khan, FCA	Re-elected on March 31, 2014	✓	✓	1 / 4	1 / 4	1 / 1
6.	Mrs. Zeb Gohar Ayub	Demise on December 18, 2015	-	-	1 / 4	-	-
7.	Mr. Gohar Ayub Khan	Co-opted on March 17, 2016	-	-	1 / 4	-	-
8.	Dr. Shaheen Kuli Khan Khattak	Re-elected on March 31, 2014	-	-	3 / 4	-	-
9.	Syed Zubair Ahmed (NIT)	Re-elected on March 31, 2014	-	-	4 / 4	-	-
10.	Mr. Ahmed Zaib Khan (Independent)	Elected on March 31, 2014	✓	-	4 / 4	4 / 4	-

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

The Board is pleased to report further that Bannu Woollen Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on June 30, 2016.

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

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

**APPOINTMENT OF AUDITORS**

The Company's auditors M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, HM House, 7 Bank Square, Lahore retire and being eligible, offer themselves for reappointment. The Board Audit Committee has recommended their reappointment as auditors of the Company for the year 2016-17.

**PATTERN OF SHAREHOLDING**

The pattern of shareholding of the Company as at June 30, 2016 is annexed to this report.

**THANKS AND APPRECIATION**

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

**For & on behalf of Board of Directors**



**RAZA KULI KHAN KHATTAK**  
Chairman

**Dated: 29th September, 2016**

## ڈائریکٹرز رپورٹ برائے حصص داران

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ اپنی رپورٹ بمعہ 30 جون 2016 کو ختم ہونے والے سال کے لئے کمپنی کی 56 ویں سالانہ رپورٹ اور آڈیٹ مالیاتی نتائج پیش کر رہے ہیں۔

کمپنی کی مالی کارکردگی برائے سال 2015-16:

ہم نہایت مسرت کے ساتھ یہ رپورٹ پیش کرتے ہیں کہ کمپنی نے ٹیکس ادا کرنے سے پہلے 102.562 ملین روپے (2015: 96.330) کمائے ہیں جس میں متعلقہ کمپنیوں کے منافع کا حصہ 3.709 ملین روپے (1.918 ملین روپے: 2015) ہے۔ کمپنی نے ٹیکس کی ادائیگی کے بعد 74.624 ملین روپے (62.897 ملین روپے: 2015) منافع کمایا ہے۔

مالیاتی نتائج:

کمپنی کے اس سال کے نتائج پچھلے سال کے موازنہ کے ساتھ درج ذیل ہیں:

سال کا اختتام		
2015 جون 30	2016 جون 30	
(روپے ہزاروں میں)		
796,977	749,408	خالص فروخت
248,343	238,802	مجموعی منافع
106,707	104,360	آپریٹنگ منافع
96,330	102,562	قبل از ٹیکس منافع
62,897	74,624	بعد از ٹیکس منافع
6.62	7.85	منافع فی حصص (روپے)

### ڈیویڈنڈ اور تصرفات

موجودہ مالیاتی پوزیشن پر غور کرنے کے بعد ڈائریکٹرز نے کیش ڈیویڈنڈ 5 روپے جو کہ فی حصص 50% ہے (3 روپے فی حصص: 2015) کی سفارش کی ہے۔

اس کے مطابق منافع کا تصرف درج ذیل ہوگا۔

سال کا اختتام		
2015 جون 30	2016 جون 30	
(روپے ہزاروں میں)		
75,940	79,923	تصرفات کے لئے دستیاب منافع
		تصرفات:
47,000	32,000	عام ذخائر کی منتقلی
28,519	47,532	کیش ڈیویڈنڈ 50% (30%: 2015)
75,519	79,532	
421	391	غیر تصرف شدہ منافع آگے لایا گیا

## آپریٹنگ کارکردگی:

3794 دولن سپنڈلز اور 50 لومز کی نصب صلاحیت کے ساتھ (3,346 سپنڈلز اور 50 لومز: 2015) کمپنی نے موجودہ سال 1,430,401 کلوگرام 5NM سوت اور 1,538,136 میٹر کپڑا 30 پکس کی بنیاد پر تیار کیا (1,379,131 کلوگرام 5NM سوت اور 1,834,325 میٹر کپڑا 30 پکس: 2015)۔ موجودہ سال میں پیداوار پچھلے سال کے مقابلے 296,189 میٹر کم ہوئی ہے جو کہ 16.15% ہے جس کی بنیادی وجہ موٹے اونی کپڑے کی پیداوار جس میں اونی شاملیں اس کے ساتھ ساتھ بائو سونگ جس کی مارکیٹ میں مانگ نہ ہونے کے برابر ہے اور اس کی بجائے کم ویلیو ایڈڈ باریک کپڑا بنایا جس نے ہمارے مالیاتی نتائج کو برقرار رکھا۔

## مستقبل پر نظر:

کمپنی نے موقع نمو پر توجہ مرکوز کر رکھی ہے اور آپریٹنگ نتائج کو نمایاں طور پر بہتر کرنے کے لئے تعین کر رکھا ہے۔ مارکیٹ کے مواقع کو نظر میں رکھتے ہوئے انتظامیہ پرانی مشینری کو نئی کے ساتھ بدلنے کے لئے کوشاں ہے تاکہ پیداوار اور معیار کو بہتر کیا جاسکے۔ کمپنی کا بنایا گیا شعبہ مارکیٹنگ نئی مصنوعات اور مارکیٹ کی بہتری کے لئے جدوجہد کر رہا ہے جو کہ اگلی سردیوں کے موسم میں کمپنی کے منافع اور فروخت پر اثر انداز ہوگا۔ آگے بڑھتے ہوئے ہم اپنے کام کو بہتر کرنے کا ارتکاب کرتے رہیں گے، ہم زیادہ پیشہ وارانہ، موثر اور منافع بخش طریقے سے اپنے سٹیک ہولڈرز کے رزلٹ میں بہتری کے لئے کوشاں ہیں۔

## اسٹیٹمنٹ برائے ڈائریکٹرز ذمہ داریاں:

بورڈ باقاعدگی سے کمپنی کی حکمت عملی کا جائزہ لیتا ہے، کاروبار کے سالانہ منصوبے اور کارکردگی کے اہداف جو کہ چیف ایگزیکٹو نے بنائی ہیں بورڈ ان کا جائزہ کمپنی کے مجموعی مقاصد کی روشنی میں لیتا ہے۔ بورڈ کارپوریٹ گورننس کی تعمیل کے لئے پرعزم ہے، کمپنی سیکورٹی اینڈ ایکنگ کمیشن آف پاکستان اور پاکستان سٹاک ایکسچینج کی مرتب کردہ دفعات کی تعمیل کرتی رہی ہے۔

## اسٹیٹمنٹ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک درج ذیل ہیں:

- (1) کمپنی کی انتظامیہ کی جانب سے تیاری جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹ آف فیئرز، آپریشنز کے نتائج، کمپنیز کے بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتی ہے۔
- (2) مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور مالیاتی تخمینے معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔
- (3) کمپنی اکاؤنٹس کی کتب کو باقاعدہ مرتب رکھتی ہے۔
- (4) پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز پر مالیاتی اسٹیٹمنٹ کی تیاری میں عمل درآمد کیا جاتا ہے اور کسی بھی انحراف کو باقاعدہ ظاہر کیا جاتا ہے۔
- (5) اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا ہے۔ موثر انداز میں لاگو کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی بھی کی جاتی ہے اندرونی کنٹرول کی نگرانی کا عمل اس مقصد کے ساتھ جاری رہے گا کہ ان کنٹرول کو مزید بہتر بنایا جائے۔
- (6) جاری و ساری منصوبوں اور امور کی انجام دہی کے لئے کمپنی کی بہترین صلاحیتوں پر کوئی شک نہیں کیا جاسکتا۔
- (7) لسٹنگ ریگولیشنز میں دی گئی تفصیل کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی Material Departure نہیں کیا جاتا۔
- (8) کمپنی کے ذمہ کوئی ٹیکس واجبات اور Levies بقایا نہیں ہیں۔ ماسوائے جنہیں مالیاتی اسٹیٹمنٹ میں ظاہر کیا گیا ہے۔

## مواصلات:

کمپنی حصص داران کے ساتھ مواصلات قائم رکھنے کی اہمیت پر توجہ مرکوز رکھتی ہے شیئر ہولڈرز کو سالانہ، ششماہی اور سہ ماہی رپورٹس کمپنی آرڈینینس 1984 کے مطابق واضح کردہ وقت کے مطابق ارسال کی جاتی ہیں، کمپنی کی سرگرمیاں ویب سائٹ [www.bwm.com.pk](http://www.bwm.com.pk) پر بروقت اپ ڈیٹ کی جاتی ہیں۔

## کارپوریٹ و سماجی ذمہ داری:

کمپنی مجموعی طور پر کاروباری حالات کے تناظر میں سماجی، ماحولیاتی اور اخلاقی معاملات کے بارے میں غور و خوض رکھتی ہے۔ کمپنی اپنے تمام سٹیک ہولڈرز کے بہترین مفاد میں کام کرنے کے لئے پرعزم ہے خاص طور پر اس کمیونٹی میں جس میں ہم رہتے ہیں جو کہ ہمارے لئے کسٹمر بنانے کا باعث ہے۔

## انسانی وسائل کے انتظامات:

انسانی وسائل کی منصوبہ بندی اور انتظامات، کمپنی کی سینئر مینجمنٹ کے اہم تحفظات میں سے ایک ہے۔ کمپنی نے ایک ہیومن ریسیورس ریویو نیشن کمیٹی تشکیل دی ہے جس میں اہم انتظامی اشخاص کے انتخاب، جانچ، مشاہدے اور کامیابی کی منصوبہ بندی کے امور شامل ہیں، یہ انسانی مسائل کی پالیسیوں اور طریقہ کار میں بہتری کی سفارشات اور متواتر جائزے کے عمل میں شامل ہیں۔

## بورڈ آڈٹ کمیٹی:

بورڈ نے ڈائریکٹرز کی کارپوریٹ گورننس، مالیاتی رپورٹنگ، کارپوریٹ کنٹرول کی ذمہ داریوں کو نبھانے کے لیے بورڈ آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی چار ممبران پر مشتمل ہے۔ اکثریت نان۔ ایکٹو ڈائریکٹرز پر مشتمل ہے اور کمیٹی کا سربراہ ایک اینڈ پیپنڈنٹ ڈائریکٹر ہے۔ آڈٹ کمیٹی کا اجلاس عبوری اور فائنل اکاؤنٹ کی پہلے منظوری کے لئے ہر سہ ماہی میں ایک بار میں منعقد ہوتا ہے اور یہ کارپوریٹ گورننس کی تعمیل کے لئے ہے۔ کمیٹی کے قواعد و ضوابط بنائے گئے ہیں اور کمیٹی کو ان کی تعمیل کے لئے کہا جاتا ہے۔

مندرجہ بالا کے علاوہ، آڈٹ کمیٹی ایکسٹرنل آڈیٹرز سے چیف فنانشل آفیسر اور ہیڈ آف انٹرنل آڈیٹرز کی غیر موجودگی میں ہے۔ آڈٹ کمیٹی ہیڈ آف انٹرنل آڈیٹرز سے چیف فنانشل آفیسر اور ایکسٹرنل آڈیٹرز کی غیر موجودگی میں ہے۔

## سال 2015-16 میں بورڈ اور اس کی کمیٹیوں کے اجلاس:

سال 2015-16 کے دوران بورڈ آف ڈائریکٹرز کی چار، بورڈ آڈٹ کمیٹی کی چار، ہیومن ریسیورس اینڈ ریویو نیشن کی ایک میٹنگ منعقد کی گئی، ڈائریکٹرز کی اس سال کی حاضری درج ذیل ہے۔

رد نمبر	ڈائریکٹرز	اسٹیٹس	کمیٹی اراکین		حاضری	
			بورڈ آڈٹ کمیٹی	ہیومن ریسیورس اینڈ ریویو نیشن کمیٹی	بورڈ آڈٹ کمیٹی	ہیومن ریسیورس اینڈ ریویو نیشن کمیٹی
1.	رضاقلی خان خٹک	Re-elected on March 31, 2014	-	-	3 / 4	-
2.	لیفٹیننٹ جنرل ریٹائرڈ علی قلی خان خٹک	Re-elected on March 31, 2014	✓	✓	3 / 4	1 / 1
3.	بیگم شہناز سجاد احمد	Re-elected on March 31, 2014	-	✓	3 / 4	1 / 1
4.	احمد قلی خان خٹک	Re-elected on March 31, 2014	✓	✓	3 / 4	4 / 4
5.	مشتاق احمد خان (FCA)	Re-elected on March 31, 2014	✓	✓	1 / 4	1 / 1
6.	بیگم زینب گوہر ایوب	Demise on December 18, 2015	-	-	1 / 4	-
7.	گوہر ایوب خان	Co-opted on March 17, 2016	-	-	1 / 4	-
8.	ڈاکٹر شامین قلی خان خٹک	Re-elected on March 31, 2014	-	-	3 / 4	-
9.	سید زبیر احمد (NIT)	Re-elected on March 31, 2014	-	-	4 / 4	-
10.	احمد زینب خان (آزاد)	Elected on March 31, 2014	✓	-	4 / 4	4 / 4

جو ڈائریکٹرز میٹنگ میں شرکت سے قاصر تھے انہیں چھٹی دے دی گئی۔

بورڈ پر مسرت ہے کہ بنوں وولن ملز لمیٹڈ نے کوڈ آف کارپوریٹ گورننس کی دفعات کی تعمیل کی ہے۔  
اہم آپریٹنگ اور مالیاتی اعداد و شمار (6 سالہ خلاصہ)  
پچھلے 6 سال کے اہم آپریٹنگ اعداد و شمار اس رپورٹ میں منسلک ہیں۔

آڈیٹرز:

سبکدوش ہونے والے آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے، بورڈ آڈٹ کمیٹی نے آڈیٹرز کی سال 2016-17 کے لئے دوبارہ تقرری کے لئے سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:

کمپنی کی 30 جون 2016 کی شیئر ہولڈنگ کا طریقہ کار اس رپورٹ میں درج ہے۔

شکریہ اور قدردانی:

ہم اپنی انتظامی ٹیم کی مخلصانہ کوششوں کے بے حد شکر گزار ہیں جن کے تعاون اور اخلاص سے کمپنی نے اتنے اچھے نتائج حاصل کئے۔ بورڈ اپنے ممبرز، کسٹمرز اور سپلائرز کا بھی بے حد ممنون و مشکور ہے جنہوں نے جوش اور لگن سے کمپنی کی مسلسل حمایت کی۔ انتظامیہ اس بات پر پر اعتماد ہے کہ یہ تعلقات اور تعاون جاری رکھے جائیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے

Raza Khatun

رضاتقی خان خٹک

چیئر مین

مورخہ: ۲۹ ستمبر ۲۰۱۶ء

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

	Rs. In million					
	2016	2015	2014	2013	2012	2011
Sales (Net)	<b>749.408</b>	796.977	788.882	807.725	663.406	569.195
Gross Profit	<b>238.802</b>	248.343	226.353	230.434	192.515	177.469
Operating Profit	<b>104.360</b>	106.707	97.376	101.697	101.100	98.667
Profit Before Taxation	<b>102.562</b>	96.330	152.076	176.130	135.691	143.757
Taxation	<b>27.938</b>	33.433	20.436	30.063	(1.469)	(1.180)
Profit / (loss) After Taxation	<b>74.624</b>	62.897	131.640	146.067	137.160	144.937
Dividend	<b>50%</b>	30%	0%	* 25%	30%	50%
Earning / (Loss) Per Share	<b>7.85</b>	6.62	13.85	15.37	18.04	19.06
Break Up Value Per Share	<b>108.08</b>	101.72	94.88	99.49	85.96	72.68
Non-Current Assets	<b>1,512.569</b>	1,229.960	1,228.315	1,111.966	1,025.078	960.393
Current Assets	<b>748.652</b>	779.446	689.877	674.155	457.201	449.985
Total Assets	<b>2,261.221</b>	2,009.406	1,918.192	1,786.121	1,482.279	1,410.378
Share Capital	<b>95.063</b>	95.063	95.063	76.050	76.050	76.050
Revenue Reserves	<b>932.423</b>	881.440	806.860	680.547	561.921	476.650
Equity	<b>1,027.486</b>	976.503	901.923	756.597	637.971	552.700
Surplus on revaluation of property, plant and equipment	<b>827.453</b>	556.975	563.214	569.656	576.730	569.107
Non-Current Liabilities	<b>267.015</b>	237.009	235.050	205.114	179.208	125.273
Current Liabilities	<b>139.267</b>	238.919	218.005	254.754	88.370	163.298
	<b>406.282</b>	475.928	453.055	459.868	267.578	288.571
Total liabilities	<b>2,261.221</b>	2,009.406	1,918.192	1,786.121	1,482.279	1,410.378

\* Bonus Shares

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

**PATTERN OF SHAREHOLDING**

1. CUIIN (Incorporation Number)
2. Name of the Company
3. Pattern of holding of the shares held by the shareholders as at

<b>4. No of shareholders</b>	<b>Shareholdings</b>	<b>Total shares held</b>
217	shareholding from 1 to 100 shares	7,105
315	shareholding from 101 to 500 shares	113,677
214	shareholding from 501 to 1000 shares	192,065
376	shareholding from 1,001 to 5,000	936,228
66	shareholding from 5,001 to 10,000	508,809
39	shareholding from 10,001 to 15,000	513,916
16	shareholding from 15,001 to 20,000	291,787
7	shareholding from 20,001 to 25,000	160,248
6	shareholding from 25,001 to 30,000	169,056
7	shareholding from 30,001 to 35,000	237,996
5	shareholding from 35,001 to 40,000	192,539
5	shareholding from 40,001 to 45,000	212,747
1	shareholding from 50,001 to 55,000	54,076
3	shareholding from 55,001 to 60,000	173,090
1	shareholding from 60,001 to 65,000	60,050
2	shareholding from 70,001 to 75,000	147,290
1	shareholding from 75,001 to 80,000	75,097
2	shareholding from 80,001 to 85,000	168,176
1	shareholding from 85,001 to 90,000	90,000
2	shareholding from 90,001 to 95,000	180,748
1	shareholding from 95,001 to 100,000	95,062
2	shareholding from 100,001 to 105,000	202,238
1	shareholding from 110,001 to 105,000	113,000
1	shareholding from 120,001 to 125,000	123,318
1	shareholding from 165,001 to 170,000	166,000
1	shareholding from 170,001 to 175,000	175,000
1	shareholding from 430,001 to 435,000	434,137
1	shareholding from 485,001 to 490,000	485,957
1	shareholding from 730,001 to 735,000	731,626
1	shareholding from 2,495,001 to 2,500,000	2,495,212
<b>1,297</b>	<b>Total</b>	<b>9,506,250</b>



5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	1,151,348	12.11
5.2. Associated Companies, undertakings and related parties.	3,235,778	34.04
5.3 NIT and ICP	435,074	4.58
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	168,287	1.77
5.5 Insurance Companies	N.A	N.A
5.6 Modarabas and Mutual Funds	84,160	0.89
5.7 Share holders holding 10% Bibojee Services (Pvt.) Ltd	2,495,212	26.25
5.8 General Public		
a. Local	4,363,141	45.92
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	68,462	0.72
NBP Employees Pension Fund	42,797	0.45
NBP Employees Benevolent Fund	1,501	0.02
Waqf –e-Kuli Khan Trust	2,660	0.02
Cdc - Trustee Akd Index Tracker Fund	500	0.01
Cdc-Trustee First Habib Islamic Balanced Fund	11,500	0.12
Cdc - Trustee Piml Strategic Multi Asset Fund	15,000	0.16
CDC - Trustee Piml Islamic Equity Fund	15,000	0.16
Cdc - Trustee Piml Value Equity Fund	15,000	0.16

6. Signature of Secretary



7. Name of Signatory

**WAQAR AHMAD**

8. Designation

Company Secretary

9. NIC Number

3	3	1	0	0	-	193	5	7	6	2	-	3
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10. Date

Day		Month		Year			
3	0	0	6	2	0	1	6

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

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>SHARES HELD</b>
1. <i>ASSOCIATED COMPANIES, UNDERTAKINGS &amp; RELATED PARTIES :</i>	
M/S JANANA DE MALUCHO TEXTILE MILLS LTD,	731,626
M/S.BIBOJEE SERVICES (PVT) LTD.	2,495,212
M/S UNIVERSAL INSURANCE CO. LTD,	8,940
2. N.I.T. & I.C.P:	
M/S.INVESTMENT CORPORATION OF PAKISTAN	937
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	434,137
3. <i>DIRECTORS, CEO &amp; THEIR SPOUSE AND MINOR CHILDREN:</i>	
MR.RAZA KULI KHAN KHATTAK, Chairman	56,573
MRS.SHAHIDA KHATOON	46,475
W/O MR. RAZA KULI KHAN KHATTAK	
LT.GEN. (RETD) ALI KULI KHAN KHATTAK Director	54,076
MRS.NELOFAR ALI KULI KHAN	95,062
W/O LT.GEN. (RETD) ALI KULI KHAN KHATTAK	
MR.AHMED KULI KHAN KHATTAK Director	56,517
MRS.NASREEN AHMED KULI KHAN	101,238
W/O MR.AHMED KULI KHAN KHATTAK	
MR.MUSHTAQ AHMED KHAN (FCA) Director	*485,957
MRS.SAEEDA MUSHTAQ	19,687
W/O MR. MUSHTAQ AHMAD KHAN, FCA	
MR. GOHAR AYUB KHAN Director	500
MRS.SHAHNAZ SAJJAD AHMED Chief Executive	111,435
DR. SHAHEEN KULI KHAN Director	123,318
MR. AHMAD ZEB KHAN Director	10
SYED ZUBAIR AHMAD SHAH (NIT) Director	500
4. EXECUTIVES	44,487
5. JOINT STOCK COMPANIES	68,462
6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	252,447
7. SHAREHOLDERS HOLDING 10% OR MORE: M/S.BIBOJEE SERVICES (PVT) LTD.	2,495,212
8. GENERAL PUBLIC & OTHERS	4,402,814

*\*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 5.19.23]

Name of Company **BANNU WOOLLEN MILLS LIMITED**

Year Ending **30<sup>TH</sup> JUNE 2016**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.23 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

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

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board and was filled up by directors within 90 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. There were no new appointments of CFO and Head of Internal Audit during the year ended 30<sup>th</sup> June 2016 except the Company Secretary who was appointed as on 01.07.2015.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom one is independent director and two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function and who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not

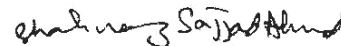
hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management affairs in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- 24 We confirm that all other material principles enshrined in the CCG have been complied with.

**Signature**

(Name in block letters)

**CNIC Number**



**MRS. SHAHNAZ SAJJAD AHMAD**

**(Chief Executive Officer)**

**17301-1363131-2**

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **BANNU WOOLLEN MILLS LIMITED** (the Company) for the year ended June 30, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

*Shine Wing Hameed Chaudhri*  
SWHC SHINewing HAMEED CHAUDHRI & CO.,  
**SHINewing HAMEED CHAUDHRI & CO.,**

**LAHORE: 29 September, 2016 CHARTERED ACCOUNTANTS**

Engagement Partner: Nafees ud din

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BANNU WOOLLEN MILLS LIMITED** (the Company) as at June 30, 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*Shine Wing Hameed Chaudhri*  
SWHC SHINewing HAMEED CHAUDHRI & CO., & CO.

**SHINewing HAMEED CHAUDHRI & CO.,**

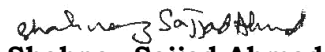
**LAHORE: 29 September, 2016 CHARTERED ACCOUNTANTS**

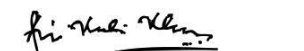
Engagement Partner: Nafees ud din

**BALANCE SHEET AS AT JUNE 30, 2016**

<b>ASSETS</b>		2016	2015
<b>Non-current assets</b>	Note	Rupees in thousand	
Property, plant and equipment	5	1,142,667	862,240
Intangible assets	6	150	0
Investments in Associated Companies	7	366,358	364,226
Advances	8	0	60
Security deposits		<u>3,394</u>	<u>3,434</u>
		<b>1,512,569</b>	<b>1,229,960</b>
<b>Current assets</b>			
Stores and spares	9	<u>66,714</u>	<u>57,387</u>
Stock-in-trade	10	<u>486,962</u>	<u>472,266</u>
Trade debts	11	<u>64,961</u>	<u>219,551</u>
Current portion of advances	8	<u>180</u>	<u>240</u>
Advances to employees - unsecured, considered good		<u>8,001</u>	<u>1,508</u>
Advance payments		<u>593</u>	<u>67</u>
Trade deposits and prepayments	12	<u>265</u>	<u>69</u>
Sales tax refundable		<u>10,324</u>	<u>5,197</u>
Income tax refundable, advance tax and tax deducted at source		<u>27,810</u>	<u>19,655</u>
Cash and bank balances	13	<u>82,842</u>	<u>3,506</u>
		<u>748,652</u>	<u>779,446</u>
<b>TOTAL ASSETS</b>		<u><b>2,261,221</b></u>	<u><b>2,009,406</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Authorised capital</b>			
20,000,000 (2015: 20,000,000) ordinary shares of Rs.10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	14	<u>95,063</u>	<u>95,063</u>
Reserves	15	<u>852,500</u>	<u>805,500</u>
Unappropriated profit		<u>79,923</u>	<u>75,940</u>
<b>Shareholders' equity</b>		<u>1,027,486</u>	<u>976,503</u>
<b>Surplus on revaluation of property, plant and equipment</b>	16	<u>827,453</u>	<u>556,975</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Demand finances	17	<u>0</u>	<u>2,500</u>
Staff retirement benefits - gratuity	18	<u>185,062</u>	<u>160,505</u>
Deferred taxation	19	<u>81,953</u>	<u>74,004</u>
		<u>267,015</u>	<u>237,009</u>
<b>Current liabilities</b>			
Trade and other payables	20	<u>105,089</u>	<u>139,459</u>
Accrued mark-up	21	<u>19</u>	<u>364</u>
Short term finances	22	<u>0</u>	<u>49,778</u>
Current portion of demand finances	17	<u>2,500</u>	<u>10,000</u>
Taxation	23	<u>31,659</u>	<u>39,318</u>
		<u>139,267</u>	<u>238,919</u>
<b>Total liabilities</b>		<u>406,282</u>	<u>475,928</u>
<b>Contingencies and commitments</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,261,221</b></u>	<u><b>2,009,406</b></u>

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

  
**Shahnaz Sajjad Ahmad**  
 Chief Executive

  
**Lt. Gen (Retd)**  
**Ali Kuli Khan Khattak**  
 Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 Rupees in thousand	2015
Sales	25	749,408	796,977
Cost of Sales	26	510,606	548,634
<b>Gross Profit</b>		<b>238,802</b>	248,343
Distribution Cost	27	36,098	33,529
Administrative Expenses	28	113,901	101,120
Other Expenses	29	9,442	10,260
Other Income	30	(24,999)	(3,273)
		134,442	141,636
<b>Profit from Operations</b>		<b>104,360</b>	106,707
Finance Cost	31	5,507	12,295
		98,853	94,412
Share of Profit of Associated Companies - net	7	3,709	1,918
<b>Profit before Taxation</b>		<b>102,562</b>	96,330
Taxation	32	27,938	33,433
<b>Profit after Taxation</b>		<b>74,624</b>	62,897
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss:			
- loss on remeasurement of staff retirement benefit obligation		(2,332)	0
- share of other comprehensive (loss) / income of Associated Companies (net of taxation)		(6,115)	414
		(8,447)	414
<b>Total Comprehensive Income</b>		<b>66,177</b>	63,311
----- Rupees -----			
<b>Earnings per Share</b>	33	<b>7.85</b>	6.62

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

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

*Ali Kuli Khan Khattak*  
**Lt. Gen (Retd)**  
**Ali Kuli Khan Khattak**  
Director

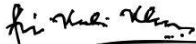
**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit for the year - before taxation and net share of profit on investments in Associated Companies	98,853	94,412
Adjustments for non-cash and other charges:		
Depreciation	37,844	38,345
Amortisation	38	0
Unclaimed payable balances written-back	0	(22)
Staff retirement benefits - gratuity (net)	21,177	21,342
Mark-up on bank deposits and dealers' balances	(4,761)	(1,857)
Finance cost	5,507	12,295
Workers' welfare fund	2,207	2,401
Gain on sale of operating fixed assets	0	(851)
	160,865	166,065
<b>Profit before working capital changes</b>		
<b>Effect on cash flow due to working capital changes</b>		
Decrease / (increase) in current assets		
Stores and spares	(9,327)	(18,750)
Stock-in-trade	(14,696)	(55,886)
Trade debts	154,590	(15,337)
Advances	(6,373)	1,033
Advance payments	(526)	1,633
Trade deposits and prepayments	(196)	147
Sales tax refundable	(5,127)	2,065
(Decrease) / increase in trade and other payables	(35,093)	49,215
	83,252	(35,880)
<b>Cash generated from operations</b>	244,117	130,185
Taxes paid	(49,180)	(28,948)
<b>Net cash generated from operating activities</b>	194,937	101,237
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(29,497)	(39,081)
Sale proceeds of operating fixed assets	0	1,493
Security deposits	40	(20)
Dividend received on investments	2,339	4,678
Mark-up received on bank deposits and dealers' balances	4,761	1,857
<b>Net cash used in investing activities</b>	(22,357)	(31,073)
<b>Cash flow from financing activities</b>		
Demand finances - net	(10,000)	(10,000)
Short term finances - net	(49,778)	(45,001)
Dividend paid	(27,614)	0
Finance cost paid	(5,852)	(12,940)
<b>Net cash used in financing activities</b>	(93,244)	(67,941)
<b>Net increase in cash and cash equivalents</b>	79,336	2,223
<b>Cash and cash equivalents - at beginning of the year</b>	3,506	1,283
<b>Cash and cash equivalents - at end of the year</b>	82,842	3,506

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

  
**Shahnaz Sajjad Ahmad**

**Chief Executive**

  
**Lt. Gen (Retd)**  
**Ali Kuli Khan Khattak**

**Director**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2016**

	Share capital	Reserves			Unappropriated profit	Total
		Capital	Revenue	Sub-total		
		Share premium	General			
----- Rupee in thousand -----						
Balance as at June 30, 2014	95,063	19,445	686,055	705,500	101,360	901,923
Transfer	0	0	100,000	100,000	(100,000)	0
<b>Total comprehensive income for the year ended June 30, 2015:</b>						
- profit for the year	0	0	0	0	62,897	62,897
- other comprehensive income	0	0	0	0	414	414
	0	0	0	0	63,311	63,311
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of:						
- incremental depreciation for the year	0	0	0	0	6,831	6,831
- revalued assets sold during the year	0	0	0	0	321	321
Effect of items directly credited in equity by Associated Companies	0	0	0	0	4,117	4,117
Balance as at June 30, 2015	95,063	19,445	786,055	805,500	75,940	976,503
Transfer	0	0	47,000	47,000	(47,000)	0
Transaction with owners:						
Cash dividend at the rate of Rs. 3 per ordinary share for the year ended June 30, 2015	0	0	0	0	(28,519)	(28,519)
<b>Total comprehensive income for the year ended June 30, 2016:</b>						
- profit for the year	0	0	0	0	74,624	74,624
- other comprehensive loss	0	0	0	0	(8,447)	(8,447)
	0	0	0	0	66,177	66,177
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	6,448	6,448
Effect of items directly credited in equity by Associated Companies	0	0	0	0	6,877	6,877
<b>Balance as at June 30, 2016</b>	<b>95,063</b>	<b>19,445</b>	<b>833,055</b>	<b>852,500</b>	<b>79,923</b>	<b>1,027,486</b>

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

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

*Ali Kuli Khan Khattak*  
**Lt. Gen (Retd)**  
**Ali Kuli Khan Khattak**  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**1. LEGAL STATUS AND OPERATIONS**

Bannu Woollen Mills Limited (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have been merged) . The Company is principally engaged in manufacture and sale of woollen yarn, cloth and blankets. The Company's registered office and its Mills are located at D.I.Khan Road, Bannu.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

**(a) Property, plant and equipment**

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

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

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

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

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

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

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

**(e) Income taxes**

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

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

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on July 01, 2015 and are considered to be relevant to the Company's operations:

- a) IFRS 12 'Disclosures of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.
- b) IFRS 13 'Fair value measurement'. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial instruments: Disclosures. As a result, the Company has included additional disclosures in this regard in note 35 to these financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosure. Notwithstanding the above, the change had no impact on the measurements of the Company's assets and liabilities.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2015 and have not been early adopted by the Company:

- a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the impact of these changes on its financial statements.
- b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Company shall apply this standard from July 01, 2017 and does not expect to have a material impact on its financial statements.
- c) IAS 27 'Separate financial statements' is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.
- d) IAS 34 'Interim financial reporting' is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.
- e) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34, 'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.
- f) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply these amendments from July 01, 2016 and does not expect to have a material impact on its financial statements.

- g) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Company has yet to assess the impact of these amendments on its financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations and therefore, have not been presented here.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

These, other than freehold land, buildings on freehold land, plant & machinery and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

Freehold land, buildings on freehold land and plant & machinery have been revalued on May 31, 2016 and during prior years. Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in Note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

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

##### 4.2 Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Amortisation is taken to profit and loss account applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 6.1.

#### 4.3 Investments in Associated Companies

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

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

#### 4.4 Stores and spares

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

#### 4.5 Stock-in-trade

Basis of valuation are as follows:

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

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

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

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

#### 4.6 Trade debts and other receivables

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



**4.7 Cash and cash equivalents**

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

**4.8 Borrowings and borrowing cost**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

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

**4.9 Staff retirement benefits (defined benefit plan)**

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2016 on the basis of the projected unit credit method by an independent Actuary.

**4.10 Trade and other payables**

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

**4.11 Provisions**

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

**4.12 Taxation****(a) Current**

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

**(b) Deferred**

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

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

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

**4.13 Dividend and appropriation to reserves**

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

**4.14 Financial instruments**

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

**4.15 Off-setting**

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

**4.16 Foreign currency translation**

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

**4.17 Revenue recognition**

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

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

**4.18 Impairment of non financial assets**

Non financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

**4.19 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 39 to these financial statements.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Note	2016 (Rupees in thousand)	2015
Operating fixed assets - tangible	5.1	1,121,695	828,410
Capital work-in-progress	5.5	20,972	33,830
		<u>1,142,667</u>	<u>862,240</u>

5.1 Operating fixed assets

Particulars	Freehold land	Buildings on freehold land			Plant & machinery	Weight and material handling equipment	Tools and equipment	Furniture and fixtures	Electric fittings	Office equipment	Computers and T.V.	Vehicles	Arms	Total
		Factory	Residential	Others										
----- Rupees in thousand -----														
<b>As at June 30, 2014</b>														
Cost / revaluation	495,000	35,102	15,109	18,258	521,944	464	30	734	6,539	517	3,817	25,797	4,016	1,127,327
Accumulated depreciation	0	7,300	3,049	6,325	226,320	386	15	436	3,241	318	1,489	17,614	671	267,164
<b>Book value</b>	<b>495,000</b>	<b>27,802</b>	<b>12,060</b>	<b>11,933</b>	<b>295,624</b>	<b>78</b>	<b>15</b>	<b>298</b>	<b>3,298</b>	<b>199</b>	<b>2,328</b>	<b>8,183</b>	<b>3,345</b>	<b>860,163</b>
<b>Year ended June 30, 2015:</b>														
Additions	0	0	0	1,524	1,086	0	0	0	109	360	52	4,103	0	7,234
<b>Disposals:</b>														
Cost	0	0	0	0	(2,839)	(165)	0	0	0	0	0	(500)	0	(3,504)
Depreciation	0	0	0	0	2,289	145	0	0	0	0	0	428	0	2,862
Depreciation for the year	0	2,780	1,206	1,219	29,579	8	1	30	339	32	712	2,105	334	38,345
<b>Book value</b>	<b>495,000</b>	<b>25,022</b>	<b>10,854</b>	<b>12,238</b>	<b>266,581</b>	<b>50</b>	<b>14</b>	<b>268</b>	<b>3,068</b>	<b>527</b>	<b>1,668</b>	<b>10,109</b>	<b>3,011</b>	<b>828,410</b>
<b>Year ended June 30, 2016:</b>														
Additions	0	0	0	0	39,148	0	0	435	312	193	504	1,576	0	42,168
<b>Revaluation adjustments:</b>														
- cost / revaluation	247,500	0	0	7,071	0	0	0	0	0	0	0	0	0	254,571
- depreciation	0	3,751	4,713	8,667	17,259	0	0	0	0	0	0	0	0	34,390
Depreciation for the year	0	2,514	1,117	1,346	29,428	5	1	48	322	59	602	2,101	301	37,844
<b>Book value</b>	<b>742,500</b>	<b>26,259</b>	<b>14,450</b>	<b>26,630</b>	<b>293,560</b>	<b>45</b>	<b>13</b>	<b>655</b>	<b>3,058</b>	<b>661</b>	<b>1,570</b>	<b>9,584</b>	<b>2,710</b>	<b>1,121,695</b>
<b>As at June 30, 2015</b>														
Cost / revaluation	495,000	35,102	15,109	19,782	520,191	299	30	734	6,648	877	3,869	29,400	4,016	1,131,057
Accumulated depreciation	0	10,080	4,255	7,544	253,610	249	16	466	3,580	350	2,201	19,291	1,005	302,647
<b>Book value</b>	<b>495,000</b>	<b>25,022</b>	<b>10,854</b>	<b>12,238</b>	<b>266,581</b>	<b>50</b>	<b>14</b>	<b>268</b>	<b>3,068</b>	<b>527</b>	<b>1,668</b>	<b>10,109</b>	<b>3,011</b>	<b>828,410</b>
<b>As at June 30, 2016</b>														
Cost / revaluation	742,500	35,102	15,109	26,853	559,339	299	30	1,169	6,960	1,070	4,373	30,976	4,016	1,427,796
Accumulated depreciation	0	8,843	659	223	265,779	254	17	514	3,902	409	2,803	21,392	1,306	306,101
<b>Book value</b>	<b>742,500</b>	<b>26,259</b>	<b>14,450</b>	<b>26,630</b>	<b>293,560</b>	<b>45</b>	<b>13</b>	<b>655</b>	<b>3,058</b>	<b>661</b>	<b>1,570</b>	<b>9,584</b>	<b>2,710</b>	<b>1,121,695</b>
Depreciation rate (%)		10	10	10	10	10	10	10	10	10	30	20	10	

- 5.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 16.2, has been determined as follows:

Particulars	Freehold land	Buildings on freehold land			Plant and machinery	Total
		Factory	Residential	Others		
Rupees in thousand						
Cost / revaluation as at May 31, 2016	495,000	35,101	15,110	19,782	557,997	1,122,990
Accumulated depreciation to May 31, 2016	0	12,373	5,250	8,667	280,571	306,861
Book value before revaluation adjustments as at May 31, 2016	495,000	22,728	9,860	11,115	277,426	816,129
Revalued amounts	742,500	26,479	14,573	26,853	294,685	1,105,090
<b>Revaluation surplus</b>	<b>247,500</b>	<b>3,751</b>	<b>4,713</b>	<b>15,738</b>	<b>17,259</b>	<b>288,961</b>

- 5.3 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:

	2016 (Rupees in thousand)	2015
Freehold land	152	152
Buildings on freehold land	18,561	20,583
Plant & machinery	218,993	202,746
	<u>237,706</u>	<u>223,481</u>

- 5.4 Depreciation for the year has been apportioned as under:

Cost of sales	32,270	32,708
Administrative expenses	5,574	5,637
	<u>37,844</u>	<u>38,345</u>

- 5.5 Capital work-in-progress

Plant and machinery	20,972	33,412
Advance payment for purchase of computers	0	418
	<u>20,972</u>	<u>33,830</u>

	2016	2015
<b>6. INTANGIBLE ASSETS - Computer software</b>	<b>(Rupees in thousand)</b>	
Additions during the year	188	0
Less: amortisation charge for the year	38	0
Book value as at June 30 ,	<u>150</u>	<u>0</u>
<b>6.1</b> Amortisation is charged to income applying straight-line method at the rate of 20% per annum.		
<b>7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted</b>		
Babri Cotton Mills Ltd. (BCM)		
144,421 (2015: 144,421) ordinary shares of Rs.10 each - <b>cost</b>	1,632	1,632
Equity held: 3.95% (2015: 3.95%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BCM	22,897	25,542
Loss for the year - net of taxation	(493)	(3,384)
Share of other comprehensive (loss) / income - net of taxation	(38)	174
	<u>23,998</u>	<u>23,964</u>
Janana De Malucho Textile Mills Ltd. (JDM)		
1,559,230 (2015:1,559,230) ordinary shares of Rs.10 - <b>cost</b>	27,762	27,762
Equity held: 32.59% (2015: 32.59%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	318,812	311,636
Dividend received	(2,339)	(4,678)
Profit for the year - net of taxation	4,202	5,302
Share of other comprehensive (loss) / income - net of taxation	(6,077)	240
	<u>342,360</u>	<u>340,262</u>
	<u>366,358</u>	<u>364,226</u>

**7.1** Market values of the Company's investments in BCM and JDM as at June 30, 2016 were Rs.14.754 million (2015: Rs.5.777 million) and Rs.209.132 million (2015: Rs.143.808 million) respectively.

**7.2** BCM was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of BCM based on its audited financial statements for the year ended June 30, 2016 is as follows:

	2016	2015
	(Rupees in thousand)	
<b>Summarised Balance Sheet</b>		
Non-current assets	1,634,131	1,426,609
Current assets	457,202	407,179
	<u>2,091,333</u>	<u>1,833,788</u>
Surplus on revaluation of property, plant and equipment	763,234	595,508
Deferred income	5,698	9,296
Non-current liabilities	247,589	275,235
Current liabilities	467,423	346,710
	<u>1,483,944</u>	<u>1,226,749</u>
<b>Net assets</b>	<u><u>607,389</u></u>	<u><u>607,039</u></u>
<b>Reconciliation to carrying amount</b>		
Opening net assets	607,039	673,113
Loss for the year	(12,472)	(84,199)
Incremental depreciation for the year	12,534	14,465
Other comprehensive (loss) / income for the year	(961)	3,002
Other adjustments	1,249	658
Closing net assets	<u><u>607,389</u></u>	<u><u>607,039</u></u>
Company's share percentage 3.95% (2015: 3.95%)		
Company's share	23,992	23,978
Miscellaneous adjustments	6	(14)
Carrying amount of investment	<u><u>23,998</u></u>	<u><u>23,964</u></u>
<b>Summarised Profit and Loss Account</b>		
Sales	<u><u>1,444,247</u></u>	<u><u>1,757,969</u></u>
Loss before taxation	<u><u>(49,850)</u></u>	<u><u>(123,803)</u></u>
Loss after taxation	<u><u>(12,472)</u></u>	<u><u>(84,199)</u></u>

- 7.3** JDM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of JDM based on its audited financial statements for the year ended June 30, 2016 is as follows:

<b>Summarised Balance Sheet</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in thousand)</b>	
Non-current assets	<b>3,309,262</b>	2,471,568
Current assets	<b>869,769</b>	1,016,047
	<b>4,179,031</b>	3,487,615
Surplus on revaluation of property, plant and equipment	<b>2,084,865</b>	1,265,587
Non-current liabilities	<b>433,925</b>	374,455
Current liabilities	<b>607,450</b>	803,414
	<b>3,126,240</b>	2,443,456
<b>Net assets</b>	<b>1,052,791</b>	1,044,159
<b>Reconciliation to carrying amount</b>		
Opening net assets	<b>1,044,159</b>	1,023,320
Profit for the year	<b>12,894</b>	16,271
Dividend paid during the year	<b>(7,177)</b>	(14,354)
Incremental depreciation for the year	<b>18,059</b>	16,457
Other comprehensive (loss) / income for the year	<b>(18,650)</b>	738
Other adjustments	<b>3,506</b>	1,727
Closing net assets	<b>1,052,791</b>	1,044,159
Company's share percentage 32.59% (2015: 32.59%)		
Company's share	<b>343,105</b>	340,291
Miscellaneous adjustments	<b>(745)</b>	(29)
Carrying amount of investment	<b>342,360</b>	340,262
<b>Summarised Profit and Loss Account</b>		
Sales	<b>2,497,962</b>	2,542,780
Profit before taxation	<b>14,114</b>	14,721
Profit after taxation	<b>12,894</b>	16,271

- 7.4** The management, as at June 30, 2016, has carried out impairment testing of its investments in the Associated Companies as required under IAS 36, 'Impairment of Assets'. The recoverable amount of investments in BCM and JDM amounted Rs.60.777 million (2015: Rs.83.763 million) and Rs.814.360 million (2015: Rs.872.981 million) respectively. The recoverable amounts of investments have been determined using the 'value-in-use' computations. In assessing the value in use, estimated future cash flows have been discounted to their present value using pre-tax discount rates that reflects current market assessments of the time value of money. The pre-tax discount rates applied to cash flow projections by BCM and JDM are 7.04% (2015: 7.79%) and 8.97% (2015: 8.16%) respectively. As a result of the aforementioned impairment testing, the management has concluded that the carrying values of investments in Associated Companies do not exceed the recoverable amounts.

<b>8. ADVANCES - Unsecured</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Advance against salary to an executive:</b>		<b>(Rupees in thousand)</b>	
Opening balance		300	540
Less: deductions made during the year		(120)	(240)
Closing balance		<u>180</u>	300
Less: recoverable within the following twelve months		(180)	(240)
		<u><u>0</u></u>	<u><u>60</u></u>
<b>8.1</b> Maximum aggregate amount due from the executive at any month-end during the year was Rs.300 thousand (2015: Rs.540 thousand).			
<b>9. STORES AND SPARES</b>			
Stores		27,233	25,356
Spares		41,481	34,031
	<b>9.1</b>	<u>68,714</u>	59,387
Less: provision for slow moving stores and spares		2,000	2,000
		<u><u>66,714</u></u>	<u><u>57,387</u></u>
<b>9.1</b> Inventory valuing Rs.33 thousand was in transit as at June 30, 2016; (2015: Rs.6,719 thousand).			
<b>9.2</b> The Company does not hold any stores and spares for specific capitalisation.			
<b>10. STOCK-IN-TRADE</b>			
Raw materials:			
- at warehouse		144,271	178,809
- in transit		27,393	16,110
		<u>171,664</u>	194,919
Work-in-process		36,524	31,096
Finished goods	<b>10.1</b>	278,774	246,251
		<u><u>486,962</u></u>	<u><u>472,266</u></u>
<b>10.1</b> Finished goods inventories as at June 30, 2016 include inventories costing Rs.18.507 million, which have been stated at net realisable value; the amount charged to profit and loss account in respect of inventories write down to net realisable value worked-out to Rs.5.541 million approximately.			
<b>11. 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 finance facilities as disclosed in note 22.			
<b>12. TRADE DEPOSITS AND PREPAYMENTS</b>			
Prepayments		0	21
Letters of credit		182	48
Others		83	0
		<u>265</u>	<u>69</u>



<b>13. CASH AND BANK BALANCES</b>		<b>Note</b>	<b>2016</b>	<b>2015</b>
			<b>(Rupees in thousand)</b>	
Cash-in-hand			1,000	445
Cash at banks on:				
- current accounts			1,217	602
- dividend accounts			192	551
- PLS accounts		13.1	80,433	1,908
			<u>81,842</u>	<u>3,061</u>
			<u>82,842</u>	<u>3,506</u>
<b>13.1</b> These carry profit at the rates ranging from 3.75% to 5.50% (2015: at the rate of 4.50%) per annum.				
<b>14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
	<b>2016</b>	<b>2015</b>		
	<b>---- Numbers ----</b>			
<b>2,259,375</b>	2,259,375	Ordinary shares of Rs.10 each fully paid in cash	<b>22,594</b>	22,594
<b>7,246,875</b>	7,246,875	Ordinary shares of Rs.10 each issued as fully paid bonus shares	<b>72,469</b>	72,469
<b>9,506,250</b>	<u>9,506,250</u>		<u>95,063</u>	<u>95,063</u>
<b>14.1 Ordinary shares held by the Associated Companies and an Associate at the year-end:</b>				
			<b>2016</b>	<b>2015</b>
			<b>Numbers of shares</b>	
Janana De Malucho Textile Mills Ltd.			731,626	731,626
Bibojee Services (Pvt.) Ltd.			2,495,212	2,495,212
The Universal Insurance Company Ltd.			8,940	8,940
Waqf-e-Kuli Khan			2,660	2,660
			<u>3,238,438</u>	<u>3,238,438</u>
<b>15. RESERVES</b>				
			<b>2016</b>	<b>2015</b>
<b>Capital</b>			<b>(Rupees in thousand)</b>	
Share premium reserve:				
859,375 shares @ Rs.7.50 per share issued during the financial year 1991-92			6,445	6,445
650,000 right shares @ Rs.20.00 per share issued during the financial year 1993-94			13,000	13,000
			<u>19,445</u>	<u>19,445</u>
<b>Revenue - general reserve</b>			<b>833,055</b>	786,055
			<u>852,500</u>	<u>805,500</u>

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

**16.1** The Company had revalued its freehold land on October 01, 1978, May 15, 1999, June 30, 2004 and February 20, 2011. Buildings on freehold land and plant & machinery were revalued on October 01, 1978, June 30, 2004 and February 20, 2011. These fixed assets were again revalued on March 31, 2012. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.683.844 million.

**16.2** The Company, as at May 31, 2016, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers - M/s AXIS Consultants (SMC) Pvt. Ltd., Architects, Engineers and approved Surveyors, Deans Trade Centre, Peshawar Cantt. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.288.961 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	2016 (Rupees in thousand)	2015
Opening balance		586,211	596,885
Add: surplus arisen on revaluation carried-out during the year	5.2	288,961	0
Less: transferred to unappropriated profit :			
- on account of incremental depreciation for the year		(9,482)	(10,195)
- upon sale of revalued assets		0	(479)
		<u>865,690</u>	<u>586,211</u>
Less: deferred tax on:			
- opening balance of surplus		29,236	33,671
- surplus arisen during the year		13,268	0
- incremental depreciation for the year		(3,034)	(3,364)
- sale of revalued assets		0	(158)
		<u>39,470</u>	<u>30,149</u>
		<u>826,220</u>	<u>556,062</u>
Resultant adjustment due to reduction in tax rate		1,233	913
Closing balance		<u><u>827,453</u></u>	<u><u>556,975</u></u>

**17. DEMAND FINANCES - Secured**  
National Bank of Pakistan (NBP)

Balance as at June 30,	17.1	2,500	12,500
Less: current portion grouped under current liabilities		(2,500)	(10,000)
		<u><u>0</u></u>	<u><u>2,500</u></u>

**17.1** This demand finance facility was utilised during the financial year ended June 30, 2014 for import of two woollen condenser cards of Chinese origin. The finance facility carries mark-up at 6-months KIBOR + 2.50% per annum; the effective mark-up rate charged by NBP during the year ranged from 8.51% to 9.04% (2015: 11.63% to 12.17%) per annum. The finance facility is repayable in 30 equal monthly instalments commenced from April, 2014 and is secured against first charge over current assets of the Company for Rs.33.333 million and first charge over fixed assets of the Company for Rs.33.333 million.

**18. STAFF RETIREMENT BENEFITS - Gratuity**

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

<b>Significant actuarial assumptions</b>	<b>2016</b>	<b>2015</b>
- discount rate	<b>8%</b>	13%
- expected rate of growth per annum in future salaries	<b>7%</b>	12%
- mortality rates	<b>SLIC 2001-2005</b>	SLIC 2001-2005
		Setback 1 year
- withdrawal rates	<b>Age-based</b>	Age-based
- retirement assumption	<b>Age 60</b>	Age 60

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

<b>The movement in the present value of defined benefit obligation is as follows:</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in thousand)</b>	
Opening balance	<b>160,505</b>	139,163
Current service cost	<b>12,149</b>	8,627
Interest cost	<b>20,143</b>	18,091
Benefits paid	<b>(11,115)</b>	(5,376)
Remeasurements: experience adjustments	<b>3,380</b>	0
Closing balance	<b><u>185,062</u></b>	<u>160,505</u>
<b>Expense recognised in profit and loss account:</b>		
Current service cost	<b>12,149</b>	8,627
Interest cost	<b>20,143</b>	18,091
Charge for the year	<b><u>32,292</u></b>	<u>26,718</u>
<b>Remeasurement recognised in other comprehensive income</b>		
Experience adjustments (net of deferred tax)	<b><u>2,332</u></b>	<u>0</u>

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

	2016	2015	2014	2013	2012
	----- Rupees in thousand -----				
Present value of defined benefit obligation	<u>185,062</u>	<u>160,505</u>	<u>139,163</u>	<u>120,830</u>	<u>89,275</u>
Experience adjustment on obligation	<u>2,332</u>	<u>0</u>	<u>(322)</u>	<u>12,865</u>	<u>0</u>
<b>Year-end sensitivity analysis:</b>	<b>Impact on defined benefit obligation</b>				
	Change in		Increase		Decrease
	assumption				
	<b>Rupees in thousand</b>				
Discount rate		1%	<u>178,495</u>	<u>192,791</u>	
Salary growth rate		1%	<u>192,898</u>	<u>178,286</u>	

18.1 The average duration of the defined benefit obligation as at June 30, 2016 is 4 years.

18.2 The expected contribution to defined benefit obligation for the year ending June 30, 2017 is Rs.22.948 million.

**19. DEFERRED TAXATION - Net**

	Note	2016 (Rupees in thousand)	2015
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		44,336	45,407
- surplus on revaluation of property, plant & equipment		38,237	29,237
		<u>82,573</u>	74,644
Deductible temporary differences arising in respect of provision against slow moving stores and spares			
		(620)	(640)
		<u>81,953</u>	<u>74,004</u>

**20. TRADE AND OTHER PAYABLES**

Due to an Associated Company (Gammon Pakistan Ltd.)		100	0
Creditors		6,702	7,487
Bills payable	20.1	32,001	38,814
Advances from customers		5,795	11,813
Security deposits - interest free, repayable on demand		5,500	2,300
Accrued expenses		37,004	62,439
Workers' (profit) participation fund	20.2	5,415	5,183
Due to Waqf-e-Kuli Khan	29.1	1,820	1,672
Tax deducted at source		150	0
Workers' welfare fund		6,705	6,888
Unclaimed dividends		3,420	2,515
Others		477	348
		<u>105,089</u>	<u>139,459</u>

20.1 These are secured against the securities as detailed in note 22.

	2016	2015
	(Rupees in thousand)	
20.2 Workers' (profit) participation fund (the Fund)*		
Opening balance	5,183	4,922
Less: payments made during the year	5,183	4,922
	<u>0</u>	<u>0</u>
Add: allocation for the year	5,415	5,183
	<u>5,415</u>	<u>5,183</u>

\* The Fund's audit for the year ended June 30, 2015 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

## 21. ACCRUED MARK-UP

Mark-up accrued on:

- demand finances	19	120
- short term finances	0	244
	<u>19</u>	<u>364</u>

## 22. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.270 million (2015: Rs.270 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 8.60% to 9.03% (2015: 9.99% to 12.18%) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.100 million (2015: Rs.100 million) out of which the amount remained unutilised at the year-end was Rs.32.873 million (2015: Rs.54.762 million). The aggregate facilities are secured against pledge of stocks, first charge on current and fixed assets of the Company for Rs.193.333 million and Rs.280.333 million respectively and lien on import documents. These facilities have remained unutilised as at June 30, 2016 and are available upto December 31, 2016.

## 23. TAXATION - Net

Opening balance	39,318	22,569
Add: provision made during the year:		
- current [net of tax credit under section 65B of the Ordinance amounting Rs.3.965 million (2015: Rs.0.155 million)]	30,930	38,589
- prior year	46	3,314
	<u>30,976</u>	<u>41,903</u>
Less: payments/adjustments made during the year against completed assessments	38,635	25,154
Closing balance	<u>31,659</u>	<u>39,318</u>

23.1 Income tax assessments of the Company have been completed upto the tax year 2015 i.e. accounting year ended June 30, 2015.

**23.2** Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Income Tax Ordinance, 2001 (the Ordinance) starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the financial year ended June 30, 2012 was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.7.777 million were written-back in the books of account. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.14.417 million.

The Finance Act, 2015 has omitted clause 126F of the Ordinance and has inserted a new sub-clause (xx) of clause (11A) in part IV of the second schedule of the Ordinance wherein exemption from levy of minimum tax under section 113 of the Ordinance has been provided. The amendment would have a retrospective impact being related to tax years 2010, 2011 and 2012.

**23.3** The Company has filed a reference application before the Lahore High Court against the orders of the Appellate Tribunal Inland Revenue (ATIR) for setting-aside the decisions for the Assessment Years 1986-87 to 1988-89; however, no additional tax liability is likely to arise in case of an adverse judgment by the Court.

**23.4** The Income Tax Department (the Department) for the tax year 2004 has charged tax under section 122(5A) of the Ordinance amounting Rs.1.781 million against which a reference application is pending adjudication before the Lahore High Court. The Department, however, during July, 2010 has issued an order under section 221 of the Ordinance creating demand of Rs.775 thousand.

**23.5** The assessing officer has levied tax amounting Rs.123 thousand under sections 161/205 of the Ordinance for tax year 2006 against which the Company's appeal has been set-aside by the ATIR and is pending for decision by the Department.

**23.6** The Commissioner Inland Revenue - Appeals (CIRA) for the tax year 2008 has decided the appeal in the Company's favour and deleted the demand of Rs.4.368 million. The Department has filed further appeal before the ATIR, which is pending adjudication.

**23.7** The Department for the tax year 2009 had charged tax under section 122(5A) of the Ordinance amounting Rs.3.553 million against which the Company filed an appeal with the CIRA, who decided the appeal against the Company. The Company as well as the Department have filed further appeals before the ATIR, which are pending adjudication.

**23.8** The Department for the tax year 2013 had charged tax under section 221 of the Ordinance (Rectification of mistakes) amounting Rs.28.673 million against which the Company filed an appeal before the CIRA, who decided the appeal against the Company. The Company as well as the Department have filed further appeals before the ATIR, which are pending adjudication. The Company, however, has paid the whole of the demand and no further provision is required.

**23.9** The Assessing Officer has imposed tax amounting Rs. 972 thousand for late filing of statements under sections 165/182 of the Ordinance for some of the months of tax year 2016. The Company has filed an appeal before the CIRA, which is pending adjudication.

**24. CONTINGENCIES AND COMMITMENTS**

**24.1** Refer contents of notes 23.2 to 23.9.

**24.2** Commitments against irrevocable letters of credit for raw materials outstanding as at June 30, 2016 were for Rs.35.126 million; (2015: for spare parts aggregated Rs.6.424 million).

**24.3** The Company has filed a writ petition before the Peshawar High Court against the Government of Khyber Pakhtunkhwa (KPK) and Others in respect of minimum wages Notification dated September 09, 2014 whereby minimum wage of workers were enhanced upto Rs.15,000 per month. The Government of KPK has issued a revised notification on August 12, 2015 and fixed the minimum wages at Rs.12,000 per month, which the Company has paid during the preceding financial year whereas during the current financial year the Company has paid minimum wages at Rs.13,000 per month. Provisions aggregating Rs.18.708 million made by the Company in its books of account during the preceding financial year have been reversed as at June 30, 2016 (note 30).

**25. SALES - Net**

	Note	2016 (Rupees in thousand)	2015
Fabrics and blankets		777,287	824,124
Waste		1,817	1,605
		<u>779,104</u>	<u>825,729</u>
Less:			
- discount		0	21
- sales tax		29,696	28,731
		<u>29,696</u>	<u>28,752</u>
		<u>749,408</u>	<u>796,977</u>

**26. COST OF SALES**

Raw materials consumed	26.1	268,898	309,985
Salaries, wages and benefits	26.2	156,026	165,923
Power and fuel		47,089	56,986
Stores and spares consumed		19,409	12,453
Repair and maintenance		20,297	21,100
Depreciation		32,270	32,708
Insurance		2,998	2,764
Others		1,570	1,102
		<u>548,557</u>	<u>603,021</u>
Adjustment of work-in-process			
Opening		31,096	23,115
Closing		(36,524)	(31,096)
		<u>(5,428)</u>	<u>(7,981)</u>
Cost of goods manufactured		<u>543,129</u>	<u>595,040</u>
Adjustment of finished goods			
Opening stock		246,251	199,845
Closing stock		(278,774)	(246,251)
		<u>(32,523)</u>	<u>(46,406)</u>
		<u>510,606</u>	<u>548,634</u>

		2016 (Rupees in thousand)	2015
<b>26.1 Raw materials consumed</b>	<b>Note</b>		
Opening stock		194,919	193,420
Add: purchases		245,643	311,484
		<u>440,562</u>	<u>504,904</u>
Less: closing stock		<u>171,664</u>	<u>194,919</u>
		<u><u>268,898</u></u>	<u><u>309,985</u></u>
<b>26.2</b>		These include Rs.11.642 million (2015: Rs.11.109 million) in respect of staff retirement benefits - gratuity.	
<b>27. DISTRIBUTION COST</b>			
Commission		27,919	30,523
Travelling		294	29
Rent		600	0
Salaries and benefits	27.1	5,139	2,138
Outward freight		156	41
Advertisement and sales promotion		602	513
Communication		236	87
Repair and maintenance		808	0
Vehicles' running		129	149
Others		215	49
		<u>36,098</u>	<u>33,529</u>
<b>27.1</b>		These include Rs.186 thousand (2015: Rs.102 thousand) in respect of staff retirement benefits - gratuity.	
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	28.1	88,265	74,567
Travelling - directors		321	433
- others		480	831
Rent, rates and taxes		1,415	1,596
Entertainment / guest house expenses		1,562	1,079
Communication		863	803
Printing and stationery		712	665
Electricity		3,476	4,312
Insurance		74	68
Repair and maintenance		3,541	3,266
Vehicles' running		3,864	4,460
Advertisement		192	67
Subscription / papers and periodicals		420	570
Depreciation		5,574	5,637
Amortisation		38	0
Auditors' remuneration:			
- statutory audit		726	660
- half yearly review		150	150
- consultancy charges		215	60
- certification charges		15	10
- out-of-pocket expenses		60	50
		<u>1,166</u>	<u>930</u>
Legal and professional charges (other than Auditors)		1,938	1,836
		<u><u>113,901</u></u>	<u><u>101,120</u></u>



28.1 These include Rs.20.464 million (2015: Rs.15.483 million) in respect of staff retirement benefits - gratuity.

## 29. OTHER EXPENSES

	Note	2016 (Rupees in thousand)	2015
Donation to Waqf-e-Kuli Khan	29.1	1,820	1,672
Workers' (profit) participation fund	20.2	5,415	5,183
Workers' welfare fund		2,207	2,401
Donations (without directors' interest)		0	1,004
		<u>9,442</u>	<u>10,260</u>

29.1 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 |
| - Dr. Shaheen Kuli Khan Khattak             | - Mrs. Shahnaz Sajjad Ahmad   |

## 30. OTHER INCOME

### Income from financial assets

Mark-up earned on:

- PLS accounts		4,437	1,554
- dealers' balances		324	303
Exchange fluctuation gain-net		74	0
		<u>4,835</u>	<u>1,857</u>

### Income from other than financial assets

Sale of empties / scrap		556	543
Unclaimed payable balances written-back		0	22
Gain on sale of operating fixed assets		0	851
Sale of dry trees		900	0
Excess provision against minimum wages reversed	24.3	18,708	0
		<u>20,164</u>	<u>1,416</u>
		<u>24,999</u>	<u>3,273</u>

## 31. FINANCE COST

Mark-up on:

- demand finances		646	2,123
- short term finances		4,698	10,043
Bank charges		163	129
		<u>5,507</u>	<u>12,295</u>

## 32. TAXATION

Current:

- for the year		30,930	38,589
- for prior year		46	3,314
	23	<u>30,976</u>	<u>41,903</u>

Deferred:

- for the year		(4,271)	(9,383)
- resultant adjustment due to reduction in tax rate		1,233	913
		<u>(3,038)</u>	<u>(8,470)</u>
		<u>27,938</u>	<u>33,433</u>

<b>32.1 Relationship between tax expense and accounting profit</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in thousand)</b>	
Accounting profit before tax	<u><b>102,562</b></u>	<u>96,330</u>
Tax calculated at the applicable rate of 32% (2015: 33%)	<b>32,820</b>	31,789
Tax effect of accounting and tax depreciation	<b>2,675</b>	6,788
Effect of final tax regime	<b>292</b>	468
Prior year's adjustment	<b>46</b>	3,314
Tax credit under section 65B of the Income Tax Ordinance, 2001	<b>(3,965)</b>	(155)
Tax effect of share of profit on investments in Associated Companies	<b>(1,187)</b>	(633)
Deferred tax	<b>(4,271)</b>	(9,383)
Effect on opening balance of deferred taxation due to reduction in tax rate	<b>1,233</b>	913
Effect of exempt income	<b>(288)</b>	0
Others	<b>583</b>	<u>332</u>
<b>Tax charge for the year</b>	<u><b>27,938</b></u>	<u>33,433</u>
 <b>33. EARNINGS PER SHARE</b>		
There is no dilutive effect on earnings per share of the Company, which is based on:		
Profit after taxation attributable to ordinary shareholders	<u><b>74,624</b></u>	<u>62,897</u>
	<b>No. of shares</b>	
Weighted average number of shares in issue during the year	<u><b>9,506,250</b></u>	<u>9,506,250</u>
	<b>----- Rupees -----</b>	
Earnings per share - basic	<u><b>7.85</b></u>	<u>6.62</u>

**34. FINANCIAL RISK MANAGEMENT****34.1 Financial Risk Factors**

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

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

**34.2 Market risk**

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

**(a) Currency risk**

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

	2016	2015
	(Rupees in thousand)	
Bills payable	32,001	38,814
Outstanding letters of credit	35,126	6,424
<b>Total exposure</b>	<b>67,127</b>	<b>45,238</b>

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2016	2015	2016	2015
U.S. \$ to Rupee	104.56	101.16	104.70	101.70

#### Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against U.S. \$ with all other variables held constant, profit before taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of financial liabilities.

#### Effect on profit for the year:

U.S. \$ to Rupee	3,200	3,881
------------------	-------	-------

The weakening of Rupee against U.S. Dollar would have had an equal but opposite impact on the profit before taxation.

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

#### (b) Interest rate risk

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

	2016	2015	2016	2015
	Effective rate		(Rupees in thousand)	
Fixed rate instruments	%	%	Carrying amount	
<b>Financial assets</b>				
Bank balances	3.75% to 5.5%	4.50%	80,433	1,908
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Demand finances	8.51 to 9.04	11.63 to 12.17	2,500	12,500
Short term finances	8.60 to 9.03	9.99 to 12.18	0	49,778
			2,500	62,278

#### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

At June 30, 2016, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs.25 thousand (2015: Rs.623 thousand) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

#### (c) Price risk

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

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

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

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

Credit risk primarily arises from trade debts and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 90 days to reduce the credit risk. The credit quality of the Company's major bank balances can be assessed with reference to the external credit ratings as follows:

<b>Banks</b>	<b>Short term rating</b>	<b>Long term rating</b>	<b>Agency</b>
Bank Alfalah Limited	A1+	AA	PACRA
National Bank of Pakistan	A1+	AAA	PACRA

#### Exposure to credit risk

Maximum exposure to credit risk as at June 30, 2016 along with comparative is tabulated below:

	<b>2016</b>	<b>2015</b>
	<b>(Rupees in thousand)</b>	
Security deposits	<b>3,394</b>	3,434
Trade debts	<b>64,961</b>	219,551
Bank balances	<b>81,842</b>	3,061
	<b><u>150,197</u></b>	<u>226,046</u>

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

	2016	2015
The ageing of trade debts at the year-end was as follows:	<b>(Rupees in thousand)</b>	
Not past due	11,970	115,720
Past due 1 - 30 days	2,027	1,128
Past due 30 - 150 days	33,062	88,122
Past due above 150 days	17,902	14,581
	<b>64,961</b>	<b>219,551</b>

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

### 34.4 Liquidity risk

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

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

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 3 years
----- Rupees in thousand -----				
<b>2016</b>				
Demand finances	2,500	2,536	2,536	0
Trade and other payables	86,924	86,924	86,924	0
Accrued mark-up	19	19	19	0
	<b>89,443</b>	<b>89,479</b>	<b>89,479</b>	<b>0</b>
<b>2015</b>				
Demand finances	12,500	13,466	10,917	2,549
Trade and other payables	115,575	115,575	115,575	0
Accrued mark-up	364	364	364	0
Short term finances	49,778	52,264	52,264	0
	<b>178,217</b>	<b>181,669</b>	<b>179,120</b>	<b>2,549</b>

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

### 35. MEASUREMENT OF FAIR VALUES

The management, during the year, has engaged an independent external valuer to carry out valuation of its freehold land, buildings on freehold land and plant & machinery. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

**Financial assets not measured at fair value**

	<b>2016 Carrying amount (Rupees in thousand)</b>
Trade debts	64,961
Bank balances	81,842
	<u>146,803</u>

**Financial liabilities not measured at fair value**

Creditors	<u>6,702</u>
-----------	--------------

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

**Assets measured at fair value**

Following details provide the fair value measurement hierarchy of the Company's assets measured at fair value:

<b>Assets measured at fair value</b>	Freehold land, buildings on freehold land and plant & machinery
<b>Date of valuation</b>	May 31, 2016
<b>Valuation approach and inputs used</b>	The factors taken and critically evaluated by the Valuer for determining the current market value of freehold land and depreciated market values of buildings on freehold land and plant & machinery include the following: <ul style="list-style-type: none"> <li>- prevailing market conditions;</li> <li>- Government future development measures in the vicinity;</li> </ul>

- threats and opportunities of real estate industry;
- physical condition of buildings and civil structure;
- design and utility of buildings and civil structure;
- state of infrastructure in the vicinity;
- type of construction and age;
- availability of utilities connections;
- existence, condition, level of maintenance, year of acquisition of plant & machinery;
- obsolescence due to technological advancement;
- inquiries from the market to obtain prevalent market values of similar local and imported plant and machinery items; and
- determination of current market cost of plant and machinery adjusted for depreciation factor.

**Inter-relationship between significant unobservable inputs and fair value measurement**

The fair values are subject to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

The fair value of freehold land, buildings on freehold land and plant & machinery is a Level 3 recurring fair value measurement. A reconciliation of opening and closing fair value is given below:

	<b>2016 (Rupees in thousand)</b>
Opening book value	<b>809,695</b>
Additions during the year	<b>39,148</b>
Revaluation during the year	<b>288,961</b>
Depreciation for the year	<b>(34,405)</b>
<b>Closing book value</b>	<b><u>1,103,399</u></b>

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

Particulars	Chief Executive		Working Director		Executives	
	2016	2015	2016	2015	2016	2015
	Rupees in thousand					
Remuneration (including bonus)						
- current year	<b>6,749</b>	7,421	<b>16,207</b>	16,645	<b>35,374</b>	23,523
- arrears	<b>0</b>	140	<b>0</b>	459	<b>5,126</b>	0
Retirement benefits - gratuity	<b>3,014</b>	2,781	<b>7,285</b>	6,546	<b>15,500</b>	2,912
House rent	<b>1,715</b>	1,771	<b>0</b>	0	<b>2,591</b>	1,996
Insurance	<b>6</b>	4	<b>0</b>	0	<b>19</b>	13
Reimbursement of medical and other expenses	<b>111</b>	241	<b>327</b>	239	<b>1,528</b>	1,139
Utilities	<b>121</b>	126	<b>406</b>	691	<b>1,120</b>	1,117
	<b>11,716</b>	12,484	<b>24,225</b>	24,580	<b>61,258</b>	30,700
Number of persons	<b>1</b>	1	<b>1</b>	1	<b>14</b>	13

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

**36.2** In addition to above, meeting fees of Rs.680 thousand (2015: Rs.700 thousand) were also paid to nine (2015: seven) non-working directors.

## 37. TRANSACTIONS WITH RELATED PARTIES

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

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

**37.3** Mark-up on Associated Companies' balances has not been accrued during the current and preceding years as the Company has executed no such transactions attracting mark-up accrual.

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



Name	Nature of relationship	Nature of transaction	2016 --- Rupees in '000 ---	2015
Janana De Malucho Textile Mills Ltd.	Associated Company	Purchase of raw materials	2,143	0
		Dividend received	2,339	4,678
		Dividend paid	2,195	0
Gammon Pakistan Ltd.	-do-	Rent of marketing office	600	0
		Rent of internal audit office	100	0
		Meeting hall rent	500	0
Bibojee Services (Pvt.) Ltd.	-do-	Dividend paid	7,486	0
The Universal Insurance Company Ltd.	-do-	Dividend paid	27	0
Waqf-e-Kuli Khan	Associated Undertaking	Donation	1,820	1,672
		Dividend paid	8	0

### 38. CAPITAL RISK MANAGEMENT

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

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

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

### 39. OPERATING SEGMENT

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

**39.1** Fabric and blanket sales represent 99.72% (2015: 99.68%) of the total gross sales of the Company.

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

**39.3** All non-current assets of the Company as at June 30, 2016 are located in Pakistan.

**39.4** Five (2015: three) of the Company's customers having sales aggregating Rs.638.550 million (2015: Rs.588.731 million) contributed towards 81.96% (2015: 71.30%) of the Company's gross sales. Each customer individually exceeded 10% of total gross sales.

**40. CAPACITY AND PRODUCTION**

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

<b>Yarn</b>	<b>2016</b>	<b>2015</b>
Number of spindles installed	<b>3,794</b>	3,346
Number of spindles/shifts worked	<b>2,327,750</b>	2,235,200
Installed capacity at 5 Nm count (Kgs.)	<b>2,391,094</b>	1,993,096
Actual production converted into 5 Nm count (Kgs.)	<b>1,430,401</b>	1,379,131
Number of shifts worked	<b>894</b>	908
<b>Cloth</b>		
Number of looms installed	<b>50</b>	50
Number of looms/shifts worked	<b>24,804</b>	29,576
Installed capacity of 50 (2015: 50) operational looms at 30 picks (Meters) (single shift)	<b>1,647,752</b>	1,647,752
Actual production converted into 30 picks (Meters) (03 shifts)	<b>1,538,136</b>	1,834,325
Number of shifts worked	<b>667</b>	733

**41. NUMBER OF EMPLOYEES**

	<b>2016</b>	<b>2015</b>
Number of persons employed as at June 30,	----- Numbers -----	
- permanent	<b>669</b>	656
- contractual	<b>3</b>	0
Average number of employees during the year		
- permanent	<b>675</b>	665
- contractual	<b>2</b>	2

**42. DATE OF AUTHORISATION FOR ISSUE**

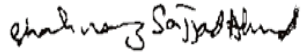
These financial statements were authorised for issue on September 29, 2016 by the board of directors of the Company.

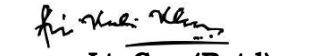
**43. EVENT AFTER THE REPORTING PERIOD**

The Board of Directors in its meeting held on September 29, 2016 has proposed a final cash dividend of Rs. 5/- per share (2015: Rs. 3 per share) for the year ended June 30, 2016. The financial statements for the year ended June 30, 2016 do not include the effect of proposed dividend amounting Rs. 47.532million (2015:Rs.28.519 million), which will be accounted for in the financial statements for the year ending June 30, 2017 after approval by the members in the annual general meeting to be held on October 29, 2016. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

**44. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no material re-arrangements and re-classifications have been made in these financial statements.

  
**Shahnaz Sajjad Ahmed**  
Chief Executive

  
**Lt. Gen (Retd)**  
**Ali Kuli Khan Khattak**  
Director

# BANNU WOOLLEN MILLS LIMITED

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_ being in the district of \_\_\_\_\_ being a member of Bannu Woollen Mills Limited and holder of \_\_\_\_\_ Ordinary Shares as per the Share Register Folio No. \_\_\_\_\_ and 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 56<sup>th</sup> Annual General Meeting of the Company to be held at Registered Office, Bannu Woollen Mills Ltd., D.I. Khan Road, Bannu on 29 October 2016 08:00 A.M and at any adjournment thereof.

**Witnesses:**

1. As witness my hand this ..... day of ..... 2016.

Signed by the said member in the presence of \_\_\_\_\_  
(Name, Address, & CNIC #)

2. As witness my hand this ..... day of ..... 2016.

Signed by the said member in the presence of \_\_\_\_\_  
(Name, Address, & CNIC #)

Please  
affix five rupees  
revenue stamp

Signatures of member

Please fill in the applicable columns:

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

**Note:**

A member entitled to attend and vote at the meeting may appoint another member as proxy, in writing duly notarised to attend the meeting and vote on the member's behalf. A non member can also be appointed as a proxy. If a member is unable to attend the meeting, he may complete and sign this form and send it to Company Secretary, Bannu Woollen Mills Limited, D.I. Khan Road, Bannu so as to reach not less than 48 hours before the time appointed for holding the meeting.

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

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

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

بنوں ولن ملز لمیٹیڈ  
پراکسی فارم

میں / ہم ----- ساکن ----- ضلع -----  
بحیثیت ممبر بنوں ولن ملز لمیٹیڈ -----  
رجسٹرڈ کارڈ نمبر ----- اور ایسی ڈی سی فوئیو کا آئی ڈی نمبر ----- اور ذیلی اکاؤنٹ نمبر -----  
مسما 1 ----- ساکن ----- کو  
کمپنی کے اجلاس عام میں جو کہ 29 اکتوبر 2016 صبح 08 بجے کمپنی کے رجسٹرڈ آفس، ڈی۔آئی۔خان روڈ، بنوں میں منعقد ہوگا، میری / ہماری طرف سے بحیثیت  
اپنا پراکسی، ووٹ دینے کے لئے حاضر کرتا ہوں / کرتے ہیں۔

-----  
دستخط حصص داران  
(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو، ہوم مطابق ہونا ضروری ہے)

گواہان:

نام -----

پتہ: -----

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر -----

پاسپورٹ نمبر -----

بتاریخ: -----

دستخط -----

نام -----

پتہ: -----

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر -----

پاسپورٹ نمبر -----

بتاریخ: -----

نوٹ:








پراکسی کو فعال بنانے کے لئے نامزدگی کا فارم مینٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہئے۔ نمائندے کو کمپنی کا کارکن ہونا ضروری نہیں۔  
حصص داران اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے  
قبل اس کے ساتھ لف کریں۔



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