

BIBOJEE GROUP



59th
ANNUAL
REPORT

2019

BANNU
WOOLLEN MILLS LIMITED

Bannu Woollen Mills Ltd.

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

CONTENTS

	Pages
COMPANY'S PROFILE	2
VISION STATEMENT	3
NOTICE OF ANNUAL GENERAL MEETING (English & اُردو)	4
CHAIRMAN'S REVIEW	8
DIRECTORS' REPORT TO SHAREHOLDER (English & اُردو)	9
KEY OPERATING & FINANCIAL DATA	23
PATTERN OF SHAREHOLDING	24
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	27
REVIEW REPORT	29
AUDITORS' REPORT	30
STATEMENT OF FINANCIAL POSITION	34
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	35
STATEMENT OF CHANGES IN EQUITY	36
STATEMENT OF CASH FLOWS	37
NOTES TO THE FINANCIAL STATEMENTS	38
PROXY FORM	73

COMPANY'S PROFILE

Board Of Directors	Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Mr. Gohar Ayub Khan Syed Zubair Ahmed Shah (NIT) Mr. Abdul Rehman Qureshi (Independent) Brig(R) Agha Arshad Raza Mr. Muhammad Kuli Khan Khattak	Chief Executive Chairman
Audit Committee	Mr. Abdul Rehman Qureshi Mr. Ahmad Kuli Khan Khattak Brig(R) Agha Arshad Raza	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Abdul Rehman Qureshi Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak	Chairman Member Member
Chief Financial Officer	Mr. A.R. Tahir Chief Operating Officer (COO)	
Company Secretary	Mr. Azher Iqbal - ACA	
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	
Mills & Registered Office	Bannu Woollen Mills Ltd D.I.Khan Road, Bannu Tel. (0928) 613151, 611350 Fax. (0928) 611450 E-Mail bannuwoollen@yahoo.com Web Site: www.bwm.com.pk	

VISION

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

MISSION STATEMENT

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 59th Annual General Meeting of the company will be held on **Friday the October 25, 2019** at **09:00 A.M.** at its registered office, D. I. Khan Road, Bannu to transact the following business.

1. To confirm minutes of the 58th Annual General Meeting of the company held on October 25, 2018.
2. To receive, consider and adopt the annual audited Financial Statements of the Company for the year ended June 30, 2019 together with directors' and Auditors' reports thereon.
3. To appoint auditors for the financial year 2019-20 and to fix their remuneration. The retiring auditors M/s Shine Wing Hameed Chaudhri and Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

آزھر اقبال

Azher Iqbal
Company Secretary

Bannu
Dated: 04 October, 2019

NOTES:

1. The Share Transfer Books will remain closed from October 18, 2019 to October 25, 2019 (both days inclusive).
2. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed should reach the Registered Office of the Company at least 48 hours before the time of Meeting.
3. Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.

4. 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 (in case of corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.
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 and send the said form duly filled in and signed along with copy of his / her 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.
6. Pursuant to Section 132(2) of the Companies Act, 2017, if company receives consent from shareholders holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 7 days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit it to the registered office of the Company:.

I/We. _____ of _____
 being a member of **Bannu Woollen Mills Limited**, holder of _____
 Ordinary Shares as per Register Folio No./CDC A/C No. _____ hereby opt for
 Video conference Facility at _____.

 Signature of members

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

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 59 واں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ دفتر، ڈی آئی خان روڈ، بنوں میں بروز جمعہ 25 اکتوبر 2019ء کو صبح 09:00AM بجے منعقد ہوگا۔

- 1- 25 اکتوبر 2018ء کو منعقدہ 58 واں سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ سالانہ آڈیٹڈ مالیاتی تفصیلات 30 جون، 2019 پر غور کرنا اور اس کا حصول اور منظوری۔
- 3- مالی سال 2019-2020 کے لئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔ بطور آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، لاہور نے خود کو دوبارہ تقرری کے لئے پیشکش کی ہے۔
- 4- صاحب صدر کی اجازت سے کسی دیگر امور پر غور و خوض۔

بحکم بورڈ

التَّائِبِينَ إِلَى اللَّهِ

اظہار اقبال

کمپنی سیکریٹری

بنوں

مورخہ: 04 اکتوبر، 2019

نوٹس:

- 1- کمپنی کی حصص منتقلی کی کتابیں 18 اکتوبر 2019ء تا 25 اکتوبر 2019ء (بشمول دونوں ایام) بند رہیں گی۔
- 2- اجلاس میں شرکت اور ووٹ دینے کا مستحق کوئی رکن اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر رکن کو اپنا اپنی پر کسی مقرر کر سکتا رہ سکتی ہے۔ پر کسی کی تقرری اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کو لازماً وصول ہو جانی چاہئے۔
- 3- بصورت سی ڈی سی اکاؤنٹ ہولڈر اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔ بصورت کارپوریٹ ممبر متعلقہ دستاویزات اجلاس کے وقت مہیا کرنا ہونگے۔
- 4- سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے جاری کردہ ایس آر او 779(I)/2011 بتاریخ 18 اگست، 2011 میں تمام متعلقہ کمپنیوں کو ہدایت کی ہے کہ وہ تمام حصص داران کے قومی کمپیوٹرائزڈ شناختی کارڈ کا حصول ممکن بنائیں۔ جن حصص داران نے ابھی تک اپنے موٹرسٹی این آئی سی / ایس این آئی سی کی کاپی اور آئی بی اے این کمپنی کو فراہم نہیں کئے ہیں وہ اپنے منافع منقسمہ کی وصولی کے لئے جلد از جلد اپنے شفاف، واضح اور موٹرسٹی این آئی سی کی کاپی اور بینک اکاؤنٹ بمعہ آئی بی اے این کی مکمل تفصیلات کے ساتھ کمپنی کے شیئر رجسٹرار سے رابطہ کریں۔
- 5- سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ایس آر او 787(I)/2014 بتاریخ 8 ستمبر 2014 کے مطابق وہ حصص داران جو مستقبل میں بذریعہ پوسٹ / ای میل سالانہ مالی تفصیلات چاہتے ہیں وہ کمپنی کی ویب سائٹ www.bwm.com.pk پر موجود

مذکورہ فارم کے ساتھ اپنی قومی شناختی کارڈ کی ایک کاپی منسلک کر کے کمپنی کے شیئرز رجسٹرار کو بھیج دیں۔ براہ مہربانی نوٹ کر لیں کہ ڈاک کے ذریعے نوٹس یا سالانہ مالی تفصیلات وصول کرنے کے بجائے ای میل ایڈریس کو ترجیح دی جائے۔ اگر آپ اس سہولت سے مستفید نہیں ہونا چاہتے تو اس نوٹس کو نظر انداز کر دیں تاکہ معمول کے مطابق نوٹس سالانہ مالی تفصیلات آپ کے درج شدہ پتہ پر بھیج دی جائیں۔

6۔ کمپنیز ایکٹ، 2017 کے سیکشن (2) 132 کے تحت، ممبرز کو ویڈیو کال کانفرنس کی بھی سہولت میسر ہے۔ اگر کمپنی اجلاس کی تاریخ سے 7 دن پہلے ویڈیو کانفرنس کے ذریعے اجلاس میں حصہ لینے کے لئے جغرافیائی مقام پر رہنے والے مجموعی 10% یا اس سے زیادہ حصص رکھنے والے ارکان سے رضامندی حاصل کرتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرے گی بشرطیکہ اس مقام / شہر میں متعلقہ سہولت میسر ہو، اس سلسلے میں مندرجہ ذیل فارم کو مکمل کریں اور کمپنی کے رجسٹرڈ پتہ پر ارسال کریں۔

میں / ہم، _____ سکنتہ _____ بحیثیت رکن ہوں / ورن ملز لمیٹڈ، حامل _____
عام حصص بمطابق رجسٹرڈ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر _____ اس طرح ویڈیو کانفرنس کی سہولت بمقام _____

دستخط رکن

7۔ ممبران سے درخواست ہے کہ اپنے پتوں میں تبدیلی اگر کوئی ہو تو کمپنی کو فی الفور مطلع فرمائیں اور اپنے فولیو نمبر کو مستحکم کرنے کے لئے کہیں۔

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I am pleased to present an annual review of results and audited financial statements for the year ended June 30, 2019 including role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

BUSINESS REVIEW

The duration and severity of winter season has reduced since the last three years which substantially affected the sales revenue of the Company. The overall economic situation along with deteriorating macro-economic factors of Pakistan also negatively impacted our Company's performance. Under these difficult circumstances, our Company incurred a loss after tax of Rs. 17.083 million compared to profit after tax (restated) of Rs. 307.780 million in the last year. The current year under review was another challenging year for the Company. The financial highlights of the current year are:

Net sales decreased by 18.33% to Rs. 684.911 million
 Gross profit decreased to Rs. 166.969 million
 Loss per share of Rs. 1.80

OVERALL PERFORMANCE AND EFFECTIVENESS OF THE BOARD

The Board normally meets once every quarter to consider and approve the financial and operating results of the Company. During current financial year 2018-2019, six board meetings have been conducted. The board strictly monitored its own performance along with the performance of its sub-committees. In addition to it, the board also ensured compliance with all applicable rules and best practices of the Company.

Best practices of corporate governance have been embedded into the Company's culture to maintain highest level of professionalism and business conduct. Risk management framework, effective internal controls and audit functions have been implemented to ensure that the day-to-day operations follow the overall strategy formulated by the Board.

The Company has an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to Board audit committee on quarterly basis and areas for improvement are highlighted.

BUSINESS RISKS, CHALLENGES AND FUTURE OUTLOOK

In line with the Company's vision and mission statement, the focus of the Company's management will remain on delivery of quality products and sound business plans for overall success of the Company. I am confident that the Company will be successful in meeting the future challenges and targets. Financial and market risks relating to the business of the Company have been explained in detail in note 33 to the accounts.

The sales revenue is expected to grow during the year ending June 30, 2020 and resultantly the bottom line of financials will also improve. The liquidity issues will also resolve and sufficient working capital will be available to run the operations of the Company.


Under the present conditions, the Company will remain exposed to the risk of adverse fluctuation in the Pak Rupee vs. US\$ parity, however, the impact will be diluted as wool prices declined sharply during the last four months.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank all the customers, suppliers, banks and the shareholders for their trust, confidence and continuous support for the Company in these difficult times. I am hopeful that country's economic situation would improve which along with some positive measures by the Government to support textile industry would result in improvement in Company's performance.

The Board looks forward to the next year with increased confidence in meeting the challenges ahead.

September 26, 2019
 Rawalpindi


 (Ahmad Kuli Khan Khattak)
 Chairman

DIRECTORS' REPORT

The Directors of the company are pleased to present their report together with the annual report of the Company and the audited financial statements for the year ended June 30, 2019.

THE FINANCIAL HIGHLIGHTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2019 ARE AS FOLLOWS:-

	Year ended June, 30		Favorable / (Unfavorable) (%)
	2019	2018 (Restated)	
	Rs. In thousand		
Sales – net	684,911	838,619	(18.33)
Gross Profit	166,969	272,834	(38.80)
Profit from Operations	17,719	125,427	(85.87)
(Loss) / profit before taxation	(22,794)	446,922	(105.10)
Taxation	(5,711)	139,142	(104.10)
(Loss) / profit after taxation	(17,083)	307,780	(105.55)
(Loss) / earnings per share (Rupees)	(1.80)	32.38	

The Securities and Exchange Commission of Pakistan has directed the Company's Board of Directors (the Board) vide its order dated September 03, 2019 to rectify and solve matters leading to modified opinion of the external Auditors on the financial statements of the Company for the year ended June 30, 2018 with respect to calculating the recoverable amounts of the Company's investment in Associates, in the Company's Annual financial statements for the year ended June 30, 2019. The Board has resolved to engage independent valuation Consultants M/s Aamir Salman Rizwan, Chartered Accountants - a QCR rated firm, to ascertain valuation of its investments in Associated Companies. The Valuers have ascertained share valuations based on discounted free cash flows. The effects of these valuations have been accounted for retrospectively in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors) and comparative figures have been restated in compliance with the aforementioned order.

OPERATING PERFORMANCE REVIEW

With the installed capacity of 3,794 woollen spindles and 50 shuttle less looms (2018: capacity was 3,794 woollen spindles and 50 shuttle less looms), the Company has produced 779,642 Kgs of 5 Nm of count yarn and 1,093,687 meters cloth based on 30 picks in year under review as compared to 1,260,709 Kgs of 5 Nm of count yarn and 1,541,498 meters cloth based on 30 picks for the year ended June 30, 2018.

In order to minimize the loss from further accumulation of finished stock, the Board of directors of the Company decided to temporarily suspend two shifts of production operations and decided to continue with only one shift of production till further notice. The Board has considered various aspects for this decision including unfavourable market conditions for winter cloth as the duration and severity of winter season has reduced since last three years which substantially affected the

season has reduced since last three years which substantially affected the demand from market, shortage of working capital and severe competition from foreign manufacturers in blazer cloth. The Company has laid-off its production workforce in order to minimize operating cost.

DIVIDENDS AND APPROPRIATIONS

Considering the current financial position, the directors have not recommended any cash dividend (June 30, 2018: Rs. 2.50 per share). Accordingly, the appropriation of profit will be as under:

	Year ended June 30,	
	2019	2018 (Restated)
	---- (Rupees in '000) ----	
Profit available for appropriation	241,858	18,512
Appropriation:		
Transfer from General Reserve	0	250,000
Cash Dividend Nil% (2018:25%)	0	(23,766)
	0	226,234
Un-appropriated profit carried forward	241,858	244,746

ECONOMY OVERVIEW

Economic challenges dominated much during year 2019 with pressures on the fiscal and external account impacting growth momentum. GDP growth has slowed down to 3.3%, lowest in last nine years. Inflation rose considerably to 7.3% in FY 19 due to the impact of exchange rate depreciation, hike in fuel and food prices. Despite adoption of two supplementary budgets, the overall fiscal deficit is estimated to be over 7% of GDP. This deterioration is largely driven by a substantial shortfall in revenue collection and increase in debt and security related expenditures.

The finance cost of the Company increased substantially during the year under review due to hike in policy rate as State Bank of Pakistan (SBP) has raised the policy rate to 13.25% reflecting a cumulative increase of 750 basis points and excessive utilization of short term finances to manage the working capital cycle. The PSX 100 index continued its losing streak and closed at 33,901 points in June 2019.

FUTURE PROSPECTS

The management is confident enough that second production shift will resume from January 2020 and purchase orders from mills' dealers will be sufficient to continue with two shifts for next six months. The decision to resume the third production shift will be much dependent on current winter season sales, future demand of Company's products and hopefully it will resume from July 2020 depending on finished goods stock at that point-of-time.

The sales revenue is expected to grow during the year ending June 30, 2020 and resultantly the bottom line of financials will also improve. The liquidity issues will also resolve and sufficient working capital will be available to run the operations of the Company.

Under the present conditions, the Company will remain exposed to the risk of adverse fluctuation in the Pak Rupee vs. US\$ parity, however, the impact will be diluted as wool prices declined sharply during the last four months. Financial and market risks relating to the business of the Company have been explained in detail in note 33 to the accounts.

Going forward, we remain committed to improve our operations, to be more innovative, efficient and profitable to deliver sustainable returns to our shareholders.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors confirm compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Listed Companies (Code of Corporate Governance) Regulations, 2017 (the CCG Regulations) for the following matters:

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 on-going process with objective to strengthen the controls and bring improvements in the system.
6. There are no doubts about the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the CCG Regulations.
8. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2019, except for those disclosed in the financial statements.

COMPOSITION OF THE BOARD

The composition of the Board is in line with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. The Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board.

The current composition of the Board is as follows:

The total number of directors	09
a) Male	08
b) Female	01
Independent Director	01
Other Non-executive Directors	06
Executive Directors	02

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated annually along the following parameters, both individually and collectively .

1. Effectiveness in bringing in a mix of gender, talents, skills and diversified perspectives.
2. Integrity, credibility, trustworthiness and active participation of members.
3. Follow-up and review of annual targets set by the management.
4. Ability to provide guidance and direction to the Company.
5. Ability to identify aspects of the organization's performance requiring action.
6. Review of succession planning of management.
7. Ability to assess and understand the risk exposures of the Company.
8. Contribution and interest in regard to improving health safety and environment, employment and other policies and practices in the Company.
9. Safeguarding the Company against unnecessary litigation and reputational risk.

Majority of the Board members have the prescribed qualification and experience required for exemption from training programs of Directors pursuant to the clause 20(2) of the CCG Regulations. All the Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies. The Board had arranged orientation courses for its Directors in the previous years to apprise them of their roles and responsibilities.

The overall performance of the Board measured on the basis of the above mentioned parameters for the year was satisfactory. The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The Board is also effective in formulating the corporate goals for the company.

BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met 4 times during 2018-19.

The names of committee members are as follows:

i.	Mr. Abdul Rehman Qureshi	Chairman
ii.	Mr. Ahmad Kuli Khan Khattak	Member
iii.	Brig. (R) Agha Arshad Raza	Member

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 met with external auditors without Chief Financial Officer (CFO) and Head of Internal Audit (HIA). Audit Committee also met the head of internal audit and other Members of the internal audit function without the CFO and the external auditors being present.

HR AND REMUNERATION COMMITTEE

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive directors. The CEO of the Company attended the Human Resource and Remuneration Committee meeting held during the year as member of the committee. The Committee met once during 2018-19.

The names of committee members are as follows:

i.	Mr. Abdul Rehman Qureshi	Chairman
ii.	Mr. Ahmad Kuli Khan Khattak	Member
iii.	Mrs. Shahnaz Sajjad Ahmad	Member

MEETINGS OF BOARD AND ITS COMMITTEES IN 2018-19

During the year 2018-19 six 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 & RC	Board Meetings	Board Audit Committee	HR & RC
1.	Mr. Raza Kuli Khan Khattak	Resigned on January 25, 2019	-	-	4 / 4	-	-
2.	Lt. Gen (Retd.) Ali Kuli Khan Khattak	Co-opted on January 31, 2019	-	-	2 / 2	-	-
3.	Mrs. Shahnaz Sajjad Ahmed	Re-elected on March 29, 2017	-	✓	5 / 6	-	1 / 1
4.	Mr. Ahmed Kuli Khan Khattak	Re-elected on March 29, 2017	✓	✓	4 / 6	3 / 4	1 / 1
5.	Mr. Mushtaq Ahmed Khan, FCA	Re-elected on March 29, 2017	-	-	0 / 6	-	-
6.	Mr. Gohar Ayub Khan	Re-elected on March 29, 2017	-	-	5 / 6	-	-
7.	Syed Zubair Ahmed (NIT)	Re-elected on March 29, 2017	-	-	6 / 6	-	-
8.	Mr. Ahmed Zeb Khan (Independent)	Resigned on August 02, 2018	-	-	0 / 1	-	-
9.	Mr. Muhammad Kuli Khan Khattak	Elected on March 29, 2017	-	-	5 / 6	-	-
10.	Mr. Abdul Rehman Qureshi (Independent)	Co-opted on April 17, 2018	✓	-	6 / 6	3 / 4	1 / 1
11.	Brig (R) Agha Arshad Raza	Co-opted on Sep. 15, 2018	✓	✓	3 / 4	3 / 4	-

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

During the year, the Board has undertaken a formal process of evaluation of its performance as a whole as well as individual director. The performance evaluations of the Board Audit Committee and HR & Remuneration Committee have been initiated. The overall performance of the Board measured on the defined parameters for the year was satisfactory.

DIRECTORS' REMUNERATION

Directors Fee is paid in line with Board approval and the Company has a formal policy in this regard in accordance with the Companies Act, 2017 and the CCG Regulations. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2018-19, please refer note 35 to the Financial Statements.

MATERIAL CHANGES

There have been no material changes since June 30, 2019 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

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 Act, 2017. The Company's activities are updated on its web site www.bwm.com.pk, on timely basis.

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

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.

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 Audit Committee has recommended their re-appointment as auditors of the Company for the year 2019-20.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as at June 30, 2019 is annexed to this report.

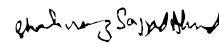
THANKS AND APPRECIATION

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.

on behalf of the Board of Directors



(Abdul Rehman Qureshi)
Director



(Shahnaz Sajjad Ahmad)
Chief Executive Officer

September 26, 2019

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ اپنی رپورٹ بمعہ 30 جون 2019 کو ختم ہونے والے سال کے لئے کمپنی کی سالانہ رپورٹ اور آڈیٹڈ مالیاتی نتائج پیش کر رہے ہیں۔
کمپنی کے اس سال 30 جون 2019 کے نتائج پچھلے سال کے موازنہ کے ساتھ درج ذیل ہیں:

متغیر	سال کا اختتام	سال کا اختتام	
%	30 جون 2019	30 جون 2018	
	(روپے ہزاروں میں)		
(18.33)	684,911	838,619	خالص فروخت
(38.80)	166,969	272,834	مجموعی منافع
(85.87)	17,719	125,427	آپریٹنگ منافع
(105.10)	(22,794)	446,922	قبل از ٹیکس منافع
(104.10)	(5,711)	139,142	ٹیکس
(105.55)	(17,083)	307,780	بعد از ٹیکس منافع
	(1.80)	32.38	منافع فی حصص (روپے)

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے 03 ستمبر، 2019 کو جاری کردہ حکم کے تحت کمپنی کے بورڈ آف ڈائریکٹرز (بورڈ) کو ہدایت کی ہے کہ وہ کمپنی کی اصلاح اور معاملات کے حل کے لئے 30 جون، 2018 کو ختم ہونے والے سال میں کمپنی کی سالانہ مالی تفصیلات پر بیرونی آڈیٹرز کی نظر ثانی شدہ رائے شاری کرواتے ہوئے کمپنی کے 30 جون، 2019 کی سالانہ مالی تفصیلات میں، ایسوسی ایٹس کمپنیز کی سرمایہ کاری کرنے کے سلسلے میں وصول کی گئی رقم کا حساب کتاب کرے۔

بورڈ نے ایسوسی ایٹس کمپنیوں میں آزادانہ قیمتوں سے متعلق اپنی سرمایہ کاری کا اندازہ لگانے کے لئے میسرز عامر سلمان رضوان، چارٹرڈ اکاؤنٹنٹس، (QCR Rated Firm) سے خدمات حاصل کی ہیں۔ تخمینہ کاروں نے فری نقد بہاؤ کی بنا پر حصص کی قیمتوں کا تعین کیا ہے۔ مذکورہ تخمینوں کے اثرات (اکاؤنٹنگ پالیسیاں، اکاؤنٹنگ تخمینے اور غلطیوں میں تبدیلی) ماضی کے ساتھ IAS-8 کے تقاضوں کے تحت مرتب کئے ہیں اور قیمتوں کے موازنہ کے اعداد و شمار کو مذکورہ بالا حکم کے مطابق دوبارہ بحال کیا گیا ہے۔

آپریٹنگ کارکردگی:

3,794 دولن سپنڈلز اور 50 لومز کا نصب صلاحیت کے ساتھ (3,794 سپنڈلز اور 50 لومز: 2018) کمپنی نے موجودہ سال میں 779,642 کلوگرام 5Nm سوت اور 1,093,687 میٹر کپڑا 30 پکس کی بنیاد پر تیار کیا جو کہ پچھلے سال 30 جون، 2018 کے جائزہ کے مطابق 1,260,709 کلوگرام 5Nm سوت اور 1,541,498 میٹر کپڑا 30 پکس ہے۔

تیار شدہ سٹاک کو مزید جمع کرنے سے ہونے والے نقصان کو کم کرنے کے لئے، کمپنی کے بورڈ آف ڈائریکٹرز نے عارضی طور پر پیداوار کے کاموں کی دوشفتوں کو معطل کرنے کا فیصلہ کیا ہے اور اگلے نوٹس تک پیداوار کو صرف ایک شفٹ کے ساتھ جاری رکھنے کا فیصلہ کیا ہے۔ بورڈ نے اس فیصلے کے لیے مختلف پہلوؤں پر غور کیا ہے جن میں موسم سرما کے کپڑوں کے لئے مارکیٹ کے نامناسب حالات بھی شامل ہیں، کیونکہ گزشتہ تین سالوں سے موسم سرما کی مدت اور شدت میں کمی کی وجہ سے مارکیٹ کی طلب کو متاثر کیا ہے اس کے علاوہ سرمائے کی کمی اور غیر ملکی مینوفیکچررز مارکیٹ سے سخت مقابلے نے بلیر رکپڑے کی آپریٹنگ لاگت کو کم کرنے کے لئے کمپنی نے اپنی پیداواری طاقت کو کم کیا ہے۔

ڈیوڈنڈ اور تصرفات:

موجودہ مالیاتی پوزیشن پر غور کرنے کے بعد ڈائریکٹرز نے کیش ڈیوڈنڈ دینے (2.5 روپے فی حصص: 2018) کی سفارش کی ہے۔ اس کے مطابق منافع کا تصرف درج ذیل ہوگا۔

سال کا اختتام	سال کا اختتام	
30 جون 2019	30 جون 2018 (Restated)	
(روپے ہزاروں میں)		
241,858	18,512	تصرفات کے لئے دستیاب منافع
		تصرفات:
		عام ذخائر کی منتقلی
0	250,000	کیش ڈیوڈنڈ 0% (25%: 2018)
0	(23,766)	
0	226,234	
<u>241,858</u>	<u>244,746</u>	غیر تصرف شدہ منافع آگے لایا گیا

معاشی جائزہ:

سال 2019 کے دوران مالی اور بیرونی اکاؤنٹ پر معاشی چیلنجز کے دباؤ کا سامنا رہا جس سے نمو کی رفتار متاثر ہوئی ہے۔ GDP کی شرح نمو بھی گزشتہ نو سالوں میں کم ہو کر 3.3% ہو گئی ہے۔ مالی سال 2019 میں زرمبادلہ کی شرح، ایندھن اور خوراک کی قیمتوں میں اضافے کے اثرات کی وجہ سے افراط زر کافی حد تک بڑھ گیا ہے۔ دو ضمنی بجٹ کو اپنانے کے باوجود، GDP کے 7% زیادہ ہونے سے مجموعی مالی خسارہ کا تخمینہ لگایا جاسکتا ہے۔ اس بگاڑ کی وجہ سے بڑے پیمانے پر محصول کی وصولی میں کافی کمی اور قرض اور سیکورٹی سے متعلق اخراجات میں اضافے کی وجہ سے نکالا گیا ہے۔ ایک جائزے کے تحت سود کی شرح میں اضافے کی وجہ سے رواں سال کے دوران کمپنی کی فائننس لاگت میں کافی حد تک اضافہ ہوا ہے کیونکہ سٹیٹ بینک آف پاکستان (ایس بی پی) نے سود کی شرح کو بڑھا کر 13.25% کر دیا ہے جو کہ 750 بنیادی پوائنٹس کے مجموعی اضافے اور مختصر مدت فائننس کی ضرورت سے زیادہ سرمائی انتظام کے استعمال کی عکاسی کرتا ہے۔ پاکستان اسٹاک ایکسچینج 100 انڈیکس میں خسارے کا سلسلہ جاری رہا اور جون 2019 میں سٹاک مارکیٹ 33,901 پوائنٹس پر بند ہوئی۔

مستقبل کی امید:

انتظامیہ کو کافی اعتماد ہے کہ دوسری پروڈکشن شفٹ جنوری 2020 سے دوبارہ شروع ہوگی اور ملوں کے ڈیلروں سے خریداری کے آرڈرز آئندہ 6 ماہ تک دو شفٹوں کے ساتھ جاری رکھنے کے لئے کافی ہوں گے۔ تیسری پروڈکشن شفٹ کو دوبارہ شروع کرنے کا فیصلہ موجودہ موسم سرما میں فروخت اور کمپنی کی مصنوعات کی مستقبل میں طلب پر منحصر ہوگا اور تیار شدہ سٹاک پر انحصار کرتے ہوئے تیسری شفٹ کو جولائی 2020 سے دوبارہ شروع کرنے کی امید کی جاتی ہے۔

توقع ہے کہ 30 جون، 2020 کو ختم ہونے والے سال کے دوران فروخت کی آمدنی میں اضافہ ہوگا اور اس کے نتیجے میں مالی معاملات میں بھی بہتری آئے گی۔ لیکویڈٹی کے معاملات بھی حل ہو جائیں گے اور کمپنی کے کاموں کو چلانے کے لئے کافی کاروباری سرمایہ دستیاب ہوگا۔ موجودہ حالات میں کمپنی، پاکستانی روپیہ بمقابلہ امریکی ڈالر میں منفی اتار چڑھاؤ کے خطرے کی زد میں رہے گی تاہم، اس کا اثر کم رہے گا کیونکہ پچھلے چار ماہ کے دوران اون کی قیمتوں میں تیزی سے کمی واقع ہوئی ہے۔ اکاؤنٹس کے نوٹ نمبر 33 میں کمپنی کے کاروبار سے متعلق مالی اور مارکیٹ رسک کی تفصیل کے ساتھ وضاحت کی گئی ہے۔

مزید یہ کہ، ہم اپنے کام کو بہتر بنانے اور اپنے حصص یافتگان کو بہتر فراہمی کے لئے جدید موخر اور منافع بخش بننے کے لئے پرعزم ہیں۔ کارپوریٹ اور مالیاتی رپورٹنگ کا نظام:

آپ کی کمپنی کے ڈائریکٹرز کو ڈاؤن لوڈ اور پورے گورننس میں پاکستان سٹاک ایکسچینج کے قوانین کی فہرست میں شامل اپنی ذمہ داریوں سے آگاہ ہیں جو کہ سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات کے مطابق ہیں۔ آپ کی کمپنی نے بہتر کارپوریٹ گورننس اور ضابطہ 2017 کی مکمل تعمیل کے لئے ذیل شدہ تمام ضروری اقدامات اٹھائے ہیں۔

(1) بنوں وولن ملز لمیٹڈ کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹ آف افیئرز، آپریشنز کے نتائج، کیش 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۔ موخر 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 کنٹرولز 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 بڑا انحراف نہیں جو بتایا گیا ہے۔

(8) کسی بھی قسم کی ادائیگی، بطور ٹیکس فرائض کی ادائیگی اور چارجز کی مد میں 30 جون 2019 کو واجب الدائری نہیں ہے۔ علاوہ اس کے جو مالیاتی

تفصیلات میں ظاہر کی گئی ہے۔

بورڈ کی تشکیل:

بورڈ کی تشکیل، فہرست شدہ کمپنیاں (کارپوریٹ گورننس) کے ضابطے، 2017 کے تحت ہیں۔ کمپنی خود مختار اور غیر ایگزیکٹو ڈائریکٹرز کی نمائندگی کرتی ہے اس کے ساتھ ہی اس کے بورڈ پر صنف تنوع کی نمائندگی کرتی ہے۔

موجودہ بورڈ کی تشکیل درج ذیل ہے:

09 ڈائریکٹرز (کل تعداد)

08 (a) مرد

01 (b) خواتین

01 آزاد ڈائریکٹرز

06 دوسرے نان ایگزیکٹو ڈائریکٹرز

02 ایگزیکٹو ڈائریکٹرز

ان کے کاموں کے علاوہ، ہماری کمپنی کے بورڈ کی کارکردگی انفرادی اور ٹیم کی سطح دونوں کے مندرجہ ذیل متعین کے ساتھ باقاعدگی سے جانچا جاتا ہے۔

- (1) صنف، مہارت اور فلسفیانہ نظریات کے ایک مرکب میں لانے میں اثر اندازی۔
- (2) سالمیت، بھروسہ، اعتماد اور رکن کی سرگرم شرکت۔
- (3) انتظامیہ کی طرف سے مقرر کردہ سالانہ اہداف کی پیروی اور جائزہ۔
- (4) کمپنی کو ہدایات اور رہنمائی فراہم کرنے کی صلاحیت۔
- (5) انتظامیہ کی کارکردگی کے پہلوؤں کی نشاندہی کرنے کی صلاحیت اور کارکردگی۔
- (6) انتظامیہ کی کامیابی کے منصوبہ بندی کا جائزہ۔
- (7) کمپنی کی سرمایہ کاری میں رسک اور اسے سمجھنے کی صلاحیت۔
- (8) کمپنی میں صحت کی حفاظت، ملازمت و ماحول، دیگر پالیسیوں اور طریقوں کو بہتر بنانے کے حوالے سے شرکت اور دلچسپی دکھانا۔
- (9) ناممکن خدشات اور غیر ضروری مقدمات کے خلاف کمپنی کی حفاظت۔

بورڈ اراکین کی اکثریت CCG کی شق (2) 20 کے مطابق ڈائریکٹرز کے تربیتی پروگراموں سے استثنیٰ کے لئے ضروری اہلیت اور تجربہ رکھتی ہے۔ تمام ڈائریکٹرز، کارپوریٹ ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں کے ساتھ مکمل طور پر واقف ہیں۔ بورڈ نے گزشتہ سالوں میں اپنے ڈائریکٹرز کے کردار اور ذمہ داریوں کی حوصلہ افزائی کے لئے کوڈ آف کارپوریٹ گورننس کے تعارفی کورس کا انتظام بھی کیا ہے۔ مندرجہ بالا تعین کردہ ہدایات کی بنیاد پر بورڈ کی مجموعی سالانہ کارکردگی تسلی بخش ہے۔ بورڈ کے اراکین میں بورڈ کے لئے عمل کے تنوع کو موثر انداز میں ترتیب دیا جس میں آزاد اور نان ایگزیکٹو ڈائریکٹرز ہیں۔ بورڈ کمپنی کے متعین کردہ مقاصد کو تشکیل دینے میں بھی موثر ہے۔

بورڈ آڈٹ کمیٹی:

بورڈ آڈٹ کمیٹی نے بنیادی طور پر مالی اور غیر مالی معلومات کے مشترکہ حصول، داخلی کنٹرول کے نظام اور Risk کے انتظامات کے نظام اور آڈٹ کے عمل کے لئے اپنی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کی ہے۔ بورڈ انتظامیہ سے معلومات حاصل کرنے اور بیرونی آڈیٹرز یا مشیروں کے ساتھ براہ راست مناسب مشورہ کرنے میں خود مختار ہے۔ چیف فنانشل آفیسر باقاعدگی سے اکاؤنٹس پیش کرنے کے لئے آڈٹ کمیٹی کے اجلاسوں میں دعوت کے ذریعے شرکت کرتے ہیں۔ ہر میٹنگ کے بعد چیئر مین کمیٹی نے بورڈ کو رپورٹ کی ہے، کمیٹی نے 2018-2019 کے دوران 4 بار ملاقات کی۔

ارکان کمیٹی کے نام درج ذیل ہیں:

i. جناب عبدالرحمن قریشی چیئر مین

ii. جناب احمد قلی خان خٹک ممبر

iii. بریگیڈر (ر) آغا شدرضا ممبر

آڈٹ کمیٹی نے انٹرنل آڈٹ منصوبہ جات، آڈٹ کے نتائج کا مواد اور انٹرنل آڈٹ ڈیپارٹمنٹ کی تجویز کے علاوہ عبوری، ششماہی اور سالانہ مالی نتائج کا جائزہ لیا ہے۔

مندرجہ بالا کے علاوہ، آڈٹ کمیٹی ایکسٹرنل آڈیٹر سے چیف فنانشل آفیسر اور ہیڈ آف انٹرنل آڈیٹر کی غیر موجودگی میں سال میں ایک بار ملتی ہے۔ آڈٹ کمیٹی ہیڈ آف انٹرنل آڈیٹر سے چیف فنانشل آفیسر اور ایکسٹرنل آڈیٹر کی غیر موجودگی میں بھی ملتی ہے۔

انسانی وسائل کے انتظامات:

کمیٹی نے سینئر ایگزیکٹو کے معاوضہ سے متعلق، منجمنٹ اور ورکرز کی ترقی کی پالیسیوں کے تمام عناصر کا جائزہ لینے، سفارش کرنے اور انتظامی کمیٹی کے ممبران اور منجمنٹ کمیٹی کے ممبران کے متعلق تمام معاملات کو منظور کرنے کے لئے ملاقات کی۔ کمیٹی کے CEO نے کمیٹی کے رکن کے طور پر منعقد ہونے والے انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کی۔ کمیٹی نے 2018-2019 کے دوران ایک بار ملاقات کی۔

ارکان کمیٹی کے نام درج ذیل ہیں:

i. جناب عبدالرحمن قریشی چیئر مین

ii. جناب احمد قلی خان خٹک ممبر

iii. محترمہ شہناز سجاد احمد ممبر

سال 2018-19 میں بورڈ اور اس کی کمیٹیوں کے اجلاس:

سال 2018-19 کے دوران چھ بورڈ کے اجلاس، بورڈ آڈٹ کمیٹی کی چار، انسانی وسائل اور معاوضہ کمیٹی کی ایک میٹنگ منعقد کی گئی، ڈائریکٹرز کی اس سال کی حاضری درج ذیل ہے:-

نمبر	ڈائریکٹرز	اسٹٹس	کمیٹی اراکین		حاضری	
			بیسز ریسورس اینڈ ریجنریشن کمیٹی	بورڈ آڈٹ کمیٹی	بورڈ آڈٹ کمیٹی	بیسز ریسورس اینڈ ریجنریشن کمیٹی
1.	رضاقی خان خٹک	Resigned on January 25, 2019	-	-	4 / 4	-
2.	ایفٹنٹ جزل (ر) علی قلی خان خٹک	Co-opted on January 31, 2019	-	-	2 / 2	-
3.	شہناز سجاد احمد	Re-elected on March 29, 2017	✓	-	5 / 6	1 / 1
4.	احمد قلی خان خٹک	Re-elected on March 29, 2017	✓	✓	4 / 6	3 / 4
5.	مشتاق احمد خان، FCA	Re-elected on March 29, 2017	-	-	0 / 6	-
6.	گوہر ایوب خان	Re-elected on March 29, 2017	-	-	5 / 6	-
7.	سیدزبیر احمد NIT	Re-elected on March 29, 2017	-	-	6 / 6	-
8.	احمد زبیر خان (آزاد)	Resigned on August 02, 2018	-	-	0 / 1	-
9.	محمد قلی خان خٹک	Elected on March 29, 2017	-	-	5 / 6	-
10.	عبدالرحمن قریشی (آزاد)	Co-opted on April 17, 2018	-	✓	6 / 6	3 / 4
11.	بریگیڈر (ر) آغا شدرضا	Co-opted on Sep. 15, 2018	✓	✓	3 / 4	-

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

بورڈ ڈائریکٹرز اور بورڈ کمیٹی کی کارکردگی:

سال کے دوران، بورڈ نے اپنی کارکردگی کا عمل ایک مکمل انفرادی ہدایت کے مطابق شروع کیا ہے۔ بورڈ آڈٹ کمیٹی اور انسانی وسائل و معاوضے کی کمیٹی کی ابتداء کردی گئی ہے۔ سال کے مقرر کردہ اہداف پر بورڈ کی کارکردگی تسلی بخش تھی۔

ڈائریکٹرز ریجنریشن:

کمپنیز ایکٹ، 2017 اور CCG کے ضابطے کے مطابق اور بورڈ کی منظوری کے ساتھ ڈائریکٹرز کی فیس ادا کی جاتی ہے۔ کمپنی، میٹنگ میں شرکت کے لئے فیس کے علاوہ غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔ 2018-2019 میں ڈائریکٹرز اور CEO کی مالی تفصیلات کی معلومات نوٹ نمبر 35 میں درج ہیں۔

مواد کی تبدیلی:

کمپنی رپورٹ کے مواد میں 30 جون، 2019 سے اب تک کوئی ایسی تبدیلی نہیں کی گئی جس کا کمپنی کی مالی حیثیت پر کوئی منفی اثر پڑے۔

مراسلات:

کمپنی حصص داران کے ساتھ مراسلات قائم رکھنے کی اہمیت پر توجہ مرکوز رکھتی ہے شیمز ہولڈرز کو سالانہ، ششماہی اور سہ ماہی رپورٹس کمپنیز ایکٹ 2017 کے مطابق واضح کردہ وقت کے مطابق ارسال کی جاتی ہیں، کمپنی کی سرگرمیاں ویب سائٹ www.bwm.com.pk پر بروقت اپ ڈیٹ کی جاتی ہیں۔

صحت، تحفظ اور ماحول:

ہم بچے ساتھ کام کرنے والے ورکرز، جو کام میں مکمل معاونت کرتے ہیں، ان کی صحت، تحفظ اور ماحول کا اعلیٰ معیار برقرار رکھنے کے لئے پراعتماد ہیں۔

اجتماعی 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 کسٹمرز بنانے کا باعث 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 2019-20 کے لئے دوبارہ تقرری کے لئے سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:

کمپنی کی 30 جون 2019 کی شیئر ہولڈنگ کا طریقہ کار اس رپورٹ میں درج ہے۔

شکریہ اور قدردانی:

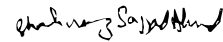
ہم اپنی انتظامی ٹیم کی مخلصانہ کوششوں کے بے حد شکر گزار ہیں جن کے تعاون اور اخلاص سے کمپنی نے اتنے اچھے نتائج حاصل کئے۔ بورڈ اپنے بکرز، کسٹمرز اور سپلائرز کا بھی بے حد ممنون و مشکور ہے جنہوں نے جوش اور لگن سے کمپنی کی مسلسل حمایت کی۔ انتظامیہ پراعتماد ہے کہ آنے والے سالوں میں بھی یہ تعلقات اور تعاون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

بورڈ آف ڈائریکٹرز کی جانب سے



(عبدالقادر قریشی)

ڈائریکٹر



(شہناز سعید احمد)

چیف ایگزیکٹو آفیسر

تاریخ: 26 ستمبر 2019

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

Rs. In million

	2019	2018	2017	2016	2015	2014
		(Restated)	(Restated)			
Sales (Net)	684.911	838.619	793.305	749.408	796.977	788.882
Gross Profit	166.969	272.834	262.013	238.802	248.343	226.353
Operating Profit	17.719	125.427	101.996	104.360	106.707	97.376
Profit Before Taxation	(22.794)	446.922	93.971	102.562	96.330	152.076
Taxation	(5.711)	139.142	26.246	27.938	33.433	20.436
Profit / (loss) After Taxation	(17.083)	307.780	67.725	74.624	62.897	131.640
Dividend	0%	25%	50%	50%	30%	0%
Earning / (Loss) Per Share	(1.80)	32.38	7.12	7.85	6.62	13.85
Break Up Value Per Share - without revaluation surplus	106.29	109.09	80.96	108.09	102.72	94.88
Non-Current Assets	2,169.969	2,189.455	1,921.524	1,512.569	1,229.960	1,228.315
Current Assets	1,108.769	1,104.569	957.879	748.652	779.446	689.877
Total Assets	3,278.738	3,294.024	2,879.403	2,261.221	2,009.406	1,918.192
Share Capital	95.063	95.063	95.063	95.063	95.063	95.063
Revenue Reserves	915.358	942.012	674.580	932.423	881.440	806.860
Surplus on revaluation of property, plant and equipment	1,010.421	1,037.075	769.643	1,027.486	976.503	901.923
Shareholders' equity	2,601.502	2,643.385	2,390.299	1,854.939	1,533.478	1,465.137
Non-Current Liabilities	111.338	139.021	203.118	267.015	237.009	235.050
Current Liabilities	565.898	511.618	285.986	139.267	238.919	218.005
Total liabilities	677.236	650.639	489.104	406.282	475.928	453.055
Total liabilities	3,278.738	3,294.024	2,879.403	2,261.221	2,009.406	1,918.192

THE COMPANIES ACT, 2017
Section 227(2)(f)

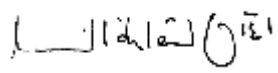
PATTERN OF SHAREHOLDING

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

4. No. of shareholders	<u>Shareholdings</u>	<u>Total shares held</u>
235	shareholding from 1 to 100	7,308
304	shareholding from 101 to 500	109,417
192	shareholding from 501 to 1000	170,629
314	shareholding from 1001 to 5000	775,281
66	shareholding from 5001 to 10000	516,900
26	shareholding from 10001 to 15000	333,472
11	shareholding from 15001 to 20000	198,789
7	shareholding from 20001 to 25000	164,652
3	shareholding from 25001 to 30000	79,986
1	shareholding from 30001 to 35000	34,000
6	shareholding from 35001 to 40000	234,332
7	shareholding from 40001 to 45000	301,247
2	shareholding from 45001 to 50000	99,500
2	shareholding from 50001 to 55000	107,076
3	shareholding from 55001 to 60000	171,090
2	shareholding from 60001 to 65000	121,050
1	shareholding from 70001 to 75000	74,290
1	shareholding from 75001 to 80000	75,097
1	shareholding from 80001 to 85000	83,176
2	shareholding from 90001 to 95000	180,748
1	shareholding from 95001 to 100000	95,062
1	shareholding from 100001 to 105000	101,238
1	shareholding from 120001 to 125000	123,318
1	shareholding from 205001 to 210000	210,000
1	shareholding from 240001 to 245000	242,000
2	shareholding from 430001 to 435000	864,594
1	shareholding from 730001 to 735000	731,626
1	shareholding from 800001 to 805000	802,500
1	shareholding from 2495001 to 2500000	2,497,872
1,196	Total	9,506,250

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	861,298	9.06
5.2 Associated Companies, undertakings and related parties.	3,238,438	34.07
5.3 NIT and ICP	432,986	4.55
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	388	0.00
5.5 Insurance Companies	N.A	N.A
5.6 Modarabas and Mutual Funds	18,000	0.19
5.7 Share holders holding 10% Bibojee Services (Pvt.) Ltd	2,497,872	26.28
5.8 General Public		
a. Local	4,529,737	47.65
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	336,105	3.54
NBP Employees Pension Fund	42,797	0.45
NBP Employees Benevolent Fund	1,501	0.02
Cdc - Trustee D. G. Khan Cement Ltd. Emp. P. Fund	45,000	0.47

6. Signature of Secretary



7. Name of Signatory

AZHER IQBAL

8. Designation

Company Secretary

9. NIC Number

3 6 3 0 2 - 6 0 3 4 6 2 2 - 7

10. Date

Day: 3 0 Month: 0 6 Year: 2 0 1 9

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

CATEGORIES OF SHAREHOLDERS	SHARES HELD
1. <i>ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES</i>	
M/S JANANA DE MALUCHO TEXTILE MILLS LTD,	731,626
M/S.BIBOJEE SERVICES (PVT) LTD.	2,497,872
M/S UNIVERSAL INSURANCE CO. LTD,	8,940
2. N.I.T. & I.C.P:	
M/S.INVESTMENT CORPORATION OF PAKISTAN	1,349
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	431,637
3. <i>DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:</i>	
It.Gen.(Retd) Ali Kuli Khan Khattak Director	54,076
Mrs. Nelofar Ali Kuli Khan -Spouse	95,062
Mrs. Shahnaz Sajjad Ahmed Chief Executive	111,435
Mr. Ahmed Kuli Khan Khattak Chairman	56,517
Mrs. Nasreen Ahmed KuliKhan - Spouse	101,238
Mr. Mushtaq Ahmed Khan (FCA) Director	432,957
Mr. Gohar Ayub Khan Director	8,953
Brig (R) Agha Arshad Raza Director	20
Syed Zubair Ahmad Shah (NIT) Director	1,000
Mr. Abdul Rehman Qureshi Director	20
Muhammad Kuli Khan Khattak Director	20
4. EXECUTIVES	44,487
5. JOINT STOCK COMPANIES	336,105
6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	18,388
7. SHAREHOLDERS HOLDING 5% OR MORE: M/S.BIBOJEE SERVICES (PVT) LTD.	2,497,872
8. GENERAL PUBLIC & OTHERS	4,540,035

Statement of Compliance with listed companies (Code of Corporate Governance) Regulations, 2017

Name of Company **BANNU WOOLLEN MILLS LIMITED**

Year Ending **JUNE 30, 2019**

The Company has complied with the requirements of Code of Corporate Governance Regulations, 2017 (the Regulations) in the following manner:

1. The total number of directors are nine as per the following:
 - a) Male 8
 - b) Female 1

2. The composition of the Board of Directors (the Board) is as follows:
 - a) **Independent Director**
 - i. Mr. Abdul Rehman Qureshi
 - b) **Other Non-executive Directors**
 - i. Lt. Gen. (Retd.) Ali Kuli Khan Khattak
 - ii. Mr. Ahmad Kuli Khan Khattak
 - iii. Mr. Gohar Ayub Khan
 - iv. Syed Zubair Ahmad Shah
 - v. Brig (R) Agha Arshad Raza
 - vi. Mr. Muhammad Kuli Khan Khattak
 - c) **Executive Directors**
 - i. Mrs. Shahnaz Sajjad Ahmad
 - ii. Mr. Mushtaq Ahmad Khan, FCA

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Out of the nine, seven Directors have either obtained certificate of Directors' Training Program or are exempted from the requirement of Directors' Training Program as per the clause 20(2) of these regulations. While the remaining directors will undertake the Directors' Training Program within the stipulated time.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee

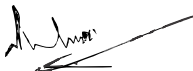
- | | | |
|------|-----------------------------|----------|
| i. | Mr. Abdul Rehman Qureshi | Chairman |
| ii. | Mr. Ahmad Kuli Khan Khattak | Member |
| iii. | Brig (R) Agha Arshad Raza | Member |

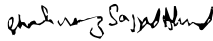
Human Resource and Remuneration Committee

- | | | |
|------|-----------------------------|----------|
| i. | Mr. Abdul Rehman Qureshi | Chairman |
| ii. | Mr. Ahmad Kuli Khan Khattak | Member |
| iii. | Mrs. Shahnaz Sajjad Ahmad | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a)	Audit Committee	Quarterly
b)	HR and Remuneration Committee	Yearly
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.


 (Abdul Rehman Qureshi)
 Director


 (Shahnaz Sajjad Ahmad)
 Chief Executive

**INDEPENDENT AUDITORS' REVIEW REPORT ON THE STATEMENT
OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE
GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **BANNU WOOLLEN MILLS LIMITED** (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

LAHORE; September 26, 2019

Shinewing Hameed Chaudhri & Co.

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

Engagement Partner: Nafees ud din

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANNU WOOLLEN MILLS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **BANNU WOOLLEN MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No	Key audit matters	How the matter was addressed in our audit
1.	<p>Investment in Associated Companies</p> <p>The Company has investments in its Associated Companies - Babri Cotton Mills Ltd. and Janana De Malucho Textile Mills Ltd. [note 8]. As at June 30, 2019, the carrying amounts of investments in above referred Associated Companies aggregated Rs.1,097.756 million.</p> <p>The carrying values are higher by Rs.995.678 million in relation to the quoted market values of these investments. The Company carries-out impairment assessment of the value of investments where there are indicators of impairment.</p>	<p>Our procedures in relation to assessment of carrying values of investments in Associated Companies included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of management's accounting for investments in Associated Companies. - Understood management's process for identifying the existence of impairment indicators in respect of investments in Associated Companies. - Evaluated the independent external investment Advisors' competence, capabilities and objectivity. - Assessed the valuation methodology used by the independent external investment Advisors.

S.No	Key audit matters	How the matter was addressed in our audit
	<p>The Company has assessed the recoverable amounts of the investments in Associated Companies based on the higher of the value-in-use and fair value. Value-in-use is based on valuation analysis carried-out by an independent external investment Advisors engaged by the management. The Valuer has used discounted free cash flow model, which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgment on both future cash flows and the discount rate applied to the future cash flows.</p> <p>In view of significant management judgment involved in the estimation of value in use, we consider this as a key audit matter.</p> <p>2. First time adoption of IFRS 9 'Financial instruments'</p> <p>As referred to in note 3.1(a) to the financial statements, the Company has adopted IFRS 9 with effect from July 01, 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) Model as against the Incurred Loss Model previously applied by the Company.</p> <p>Determination of ECL allowance for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.</p> <p>We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p> <p>3. Net realisable value (NRV) of inventories</p> <p>At the reporting date, the Company held inventories valuing Rs.533.053 million, after incorporating NRV adjustments aggregating Rs.28.119 million as disclosed in note 11.1 to the annexed financial statements. The inventories obsolescence has been calculated based on management assessment of future usability of these inventory items comprising of wool and prevalent market conditions.</p>	<ul style="list-style-type: none"> - Checked, on sample basis, the reasonableness of the input data provided by the management to the independent external investment Advisors in support of evidence. - Tested mathematical accuracy of cash flows projections. - Assessed the reasonableness of cash flow projections, challenging and performing audit procedures on assumptions such as growth rate, future revenue and costs, terminal growth rate and discount rate by comparing the assumptions to historical results, budgets and comparing the current year's results with prior year forecasts and other relevant information. <p>Our audit procedures in relation to assessment of allowance for ECL included the following:</p> <ul style="list-style-type: none"> - Reviewed the methodology developed and applied by the Company to estimate the ECL allowance in relation to trade debts. - Considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. - Assessed the integrity and quality of the data used for computation of ECL allowance based on the accounting records and information system of the Company as well as the related external sources as used for this purpose. - Checked the mathematical accuracy of the ECL model by performing recalculation on test basis. - Assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the prescribed requirements. <p>Our audit procedures in relation to assessment of NRV of inventories included the following:</p> <ul style="list-style-type: none"> - Reviewed the management procedures for evaluating the NRV of inventories. - Observed physical inventory counts at mills premises to ascertain the condition and existence of inventories. - Performed tests on a sample of items to assess the NRV of the inventories held.

S.No.	Key audit matters	How the matter was addressed in our audit
	We have considered this area to be a key audit matter due to its materiality and significance in terms of judgments involved in estimating the NRV of inventories.	<ul style="list-style-type: none"> - Evaluated the adequacy of quantum of NRV adjustments incorporated in the financial statements. - Tested the NRV of the inventories held by performing a review of sales close to and subsequent to the year-end and compared with the cost for a sample of inventory items.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Nafees ud din.

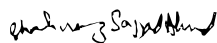
LAHORE; September 26, 2019

Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

		(Restated)	(Restated)
		2019	July 01, 2017
ASSETS			
Non-current assets	Note	----- Rupees in thousand -----	-----
Property, plant and equipment	6	1,068,086	1,119,852
Intangible assets	7	277	112
Investments in Associated Companies	8	1,097,756	763,171
Deferred taxation	19	0	34,108
Advances	9	56	937
Security deposits		3,794	3,344
		<u>2,169,969</u>	<u>1,921,524</u>
Current assets			
Stores and spares	10	69,210	78,905
Stock-in-trade	11	533,053	617,366
Trade debts	12	483,727	184,080
Current portion of advances	9	193	916
Advances to employees - unsecured, considered good		6,618	14,363
Advance payments		2,896	10,428
Other receivables	13	643	1,682
Sales tax refundable		0	5,975
Income tax refundable, advance tax and tax deducted at source		7,044	31,455
Cash and bank balances	14	5,385	12,709
		<u>1,108,769</u>	<u>957,879</u>
TOTAL ASSETS		<u>3,278,738</u>	<u>2,879,403</u>
EQUITY AND LIABILITIES			
Equity			
Authorised capital			
20,000,000 ordinary shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid-up capital	15	95,063	95,063
Capital reserves			
- share premium	16.1	19,445	19,445
- revaluation surplus on property, plant and equipment	17	1,591,081	1,620,656
Revenue reserves			
- general reserve	16.2	654,055	865,055
- unappropriated profit / (accumulated loss)		241,858	(209,920)
Shareholders' equity		<u>2,601,502</u>	<u>2,390,299</u>
Liabilities			
Non-current liabilities			
Staff retirement benefits - gratuity	18	57,304	203,118
Deferred taxation	19	54,034	0
		<u>111,338</u>	<u>203,118</u>
Current liabilities			
Trade and other payables	20	150,458	105,866
Unpaid dividends		3,452	3,218
Unclaimed dividends		6,545	2,792
Accrued mark-up		11,172	1,035
Short term finances	21	385,248	140,330
Taxation	22	9,023	32,745
		<u>565,898</u>	<u>285,986</u>
Total liabilities		<u>677,236</u>	<u>489,104</u>
Contingencies and commitments	23		
TOTAL EQUITY AND LIABILITIES		<u>3,278,738</u>	<u>2,879,403</u>

The annexed notes 1 to 44 form an integral part of these financial statements.


Shahnaz Sajjad Ahmad
Chief Executive

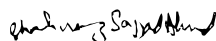

Abdul Rehman Qureshi
Director


A. R. Tahir
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

		2019	(Restated) 2018
	Note	Rupees in thousand	
Sales	24	684,911	838,619
Cost of sales	25	517,942	565,785
Gross profit		166,969	272,834
Distribution cost	26	43,253	79,795
Administrative expenses	27	94,289	60,735
Other expenses	28	12,728	10,993
Other income	29	(1,020)	(4,116)
		149,250	147,407
Profit from operations		17,719	125,427
Finance cost	30	41,759	17,552
		(24,040)	107,875
Share of profit / (loss) of Associated Companies - net	8	1,246	(26,287)
Impairment reversal on Investments in Associated Companies	8	0	365,334
		1,246	339,047
(Loss) / profit before taxation		(22,794)	446,922
Taxation	31	(5,711)	139,142
(Loss) / profit after taxation		(17,083)	307,780
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
- loss on remeasurement of staff retirement benefit obligation	18	(1,206)	(2,279)
- share of other comprehensive income / (loss) of Associated Companies		258	(8,032)
- impact of tax		(75)	2,329
	8	183	(5,703)
		(1,023)	(7,982)
Total comprehensive (loss) / income		(18,106)	299,798
		----- Rupees -----	
(Loss) / earnings per share	32	(1.80)	32.38

The annexed notes 1 to 44 form an integral part of these financial statements.


Shahnaz Sajjad Ahmad
Chief Executive

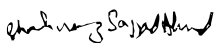

Abdul Rehman Qureshi
Director


A. R. Tahir
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Reserves				Total	
	Capital		Revenue			
	Share premium	Revaluation surplus on property, plant and equipment	General	(Accumulated loss) / unappropriated profit		
----- Rupees in thousand -----						
Balance as at June 30, 2017	95,063	19,445	1,620,656	865,055	86,624	2,686,843
Impact of re-statement (note 5)	0	0	0	0	(296,544)	(296,544)
Balance as at July 01, 2017 - restated	95,063	19,445	1,620,656	865,055	(209,920)	2,390,299
Transfer	0	0	0	39,000	(39,000)	0
Transaction with owners:						
Cash dividend at the rate of Rs.5 per ordinary share for the year ended June 30, 2017	0	0	0	0	(47,531)	(47,531)
Total comprehensive income for the year ended June 30, 2018:						
- profit for the year	0	0	0	0	307,780	307,780
- other comprehensive loss	0	0	0	0	(7,982)	(7,982)
	0	0	0	0	299,798	299,798
Revaluation surplus on property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)	0	0	(7,749)	0	7,749	0
Deferred tax adjustment due to reduction in tax rate	0	0	996	0	0	996
Share of revaluation surplus on property, plant and equipment of Associated Companies	0	0	(7,593)	0	0	(7,593)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	7,416	7,416
Balance as at June 30, 2018 - restated	95,063	19,445	1,606,310	904,055	18,512	2,643,385
Transfer	0	0	0	(250,000)	250,000	0
Transaction with owners:						
Cash dividend at the rate of Rs.2.50 per ordinary share for the year ended June 30, 2018	0	0	0	0	(23,766)	(23,766)
Total comprehensive loss for the year ended June 30, 2019:					0	
- loss for the year	0	0	0	0	(17,083)	(17,083)
- other comprehensive loss	0	0	0	0	(1,023)	(1,023)
	0	0	0	0	(18,106)	(18,106)
Revaluation surplus on property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)	0	0	(5,216)	0	5,216	0
Share of revaluation surplus on property, plant and equipment of Associated Companies	0	0	(10,013)	0	0	(10,013)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	10,002	10,002
Balance as at June 30, 2019	95,063	19,445	1,591,081	654,055	241,858	2,601,502

The annexed notes 1 to 44 form an integral part of these financial statements.


Shahnaz Sajjad Ahmad
 Chief Executive

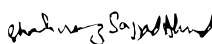

Abdul Rehman Qureshi
 Director


A. R. Tahir
 Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities	Note	2019	2018
		Rupees in thousand	
(Loss) / profit for the year - before taxation and share of profit / (loss) of Associated Companies - net		(24,040)	107,875
Adjustments for non-cash and other charges:			
Depreciation		27,302	39,610
Amortisation		107	78
Allowance for ECL on trade debts		10,706	0
Unclaimed payable balances written-back		(138)	(706)
Staff retirement benefits - gratuity (net)		(14,875)	(134,424)
Mark-up on bank deposits and dealers' balances		(568)	(2,445)
Finance cost		41,759	17,552
Workers' welfare fund		0	2,592
Gain on sale of operating fixed assets		0	(188)
Profit before working capital changes		40,253	29,944
Effect on cash flows due to working capital changes			
Decrease / (increase) in current assets			
Stores and spares		8,167	1,528
Stock-in-trade		86,236	(1,923)
Trade debts		(130,403)	(179,950)
Advances		13,017	(3,668)
Advance payments		(1,931)	9,463
Other receivables		(220)	1,259
Sales tax refundable		0	5,975
(Decrease) / increase in trade and other payables		(59,517)	104,453
		(84,651)	(62,863)
Cash used in operations		(44,398)	(32,919)
Taxes paid		(25,310)	(20,386)
Net cash used in operating activities		(69,708)	(53,305)
Cash flows from investing activities			
Fixed capital expenditure		(5,649)	(9,519)
Sale proceeds of operating fixed assets		0	210
Intangible assets purchased		0	(350)
Security deposits		(800)	350
Mark-up received on bank deposits and dealers' balances		568	2,445
Net cash used in investing activities		(5,881)	(6,864)
Cash flows from financing activities			
Short term finances - net		135,104	109,814
Dividend paid		(20,390)	(46,920)
Finance cost paid		(35,466)	(13,708)
Net cash generated from financing activities	36	79,248	49,186
Net increase / (decrease) in cash and cash equivalents		3,659	(10,983)
Cash and cash equivalents - at beginning of the year		1,726	12,709
Cash and cash equivalents - at end of the year		5,385	1,726

The annexed notes 1 to 44 form an integral part of these financial statements.


Shahnaz Sajjad Ahmad
Chief Executive


Abdul Rehman Qureshi
Director


A. R. Tahir
Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of woollen yarn, cloth and blankets.

Geographical location and addresses of major business units including mills / plant of the Company are as under:

Bannu	Purpose
D.I Khan Road	Registered office / Mills
Rawalpindi	
Raja Bazar	Retail outlet

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of 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. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a)** IFRS 9, 'Financial instruments', has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The changes laid down by the new standard has been detailed in the relevant notes of these financial statements.

- (b) IFRS 15, 'Revenue from contracts with customers' has been notified by SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations.

Following the application of IFRS 15, the Company's policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of goods

The Company sells its products in separately identifiable contracts. The contracts, entered into with customers, generally include one performance obligation, i.e. provision of goods to the customers.

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract by transferring promised goods to the customers. Goods are considered to be transferred at the point in time when the customers obtain control over the goods, i.e. has the ability to direct the use and obtain the benefits from the goods. Revenue from export sale of goods is recognised at the point in time when the customers obtain control over the goods dependent on the relevant incoterms of shipment. Generally, it is on the date of preparation of bill of lading.

Effect of change in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires an entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The revised policy does not have any significant impact on these financial statements as it does not have an impact on the timing or the amount of revenue recognition from the contracts in case of local sales.

- (c) IFRIC 22, 'Foreign currency transactions and advance consideration' is effective for accounting periods beginning on or after July 01, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. The Company's accounting treatment is already in line with this interpretation.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2019, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.

- (b) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.
- (c) IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have been detailed in the relevant notes of these financial statements of the Company.

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.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in statement of other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in statement of other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

Depreciation is taken to statement of profit or loss applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 6. 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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 7.1.

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. The Company's share of post acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. 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' statement of 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 statement of 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 reporting 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 reporting 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.
Trading goods	- At lower of cost and net 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 allowance for Expected Credit Loss (ECL). Carrying amounts of trade debts and other receivables are assessed at each reporting date and allowance 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 statement of financial position at cost. For the purpose of statement of cash flows, 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, 2019 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 reporting 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 statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to statement of other comprehensive income.

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 assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

a) Financial assets

Classification

Effective July 01, 2018, the Company classifies its financial assets in the following measurement categories:

- i) Amortised cost where the effective interest rate method will apply;
- ii) fair value through profit or loss; and
- iii) fair value through other comprehensive income.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income (OCI).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a debt is more than 120 days past due for all shirting fabrics including blankets and shawls and 150 days past due for blazer cloth, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Impairment of financial assets

Effective July 01, 2018, the Company assesses on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its trade debts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Recognition of loss allowance

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

b) Financial Liabilities

Classification, initial recognition and subsequent measurement

Financial liabilities are classified in the following categories:

- i) fair value through profit or loss; and
- ii) Other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss for the year, when the liabilities are derecognised as well as through effective interest rate amortisation process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or expired.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.15 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 reporting date. Exchange gains and losses are taken to statement of profit or loss.

4.16 Revenue recognition

Revenue from contracts with customers is recognised at the point in time when the performance obligation is satisfied i.e. control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its performance obligations under the contract.

Others

Return on deposits is accounted for on 'accrual basis'.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.17 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting 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.

4.18 Segment reporting

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

5. RE-STATEMENT

The Securities and Exchange Commission of Pakistan has directed the Company's Board of Directors (the Board) vide its order dated September 03, 2019 to rectify the defaults and also to undo the irregularities leading to modified opinion of the external Auditors on the financial statements of the Company for the year ended June 30, 2018. The Board has resolved to engage independent valuation Consultants (M/s Aamir Salman Rizwan, Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore) to ascertain valuation of its investments in Associated Companies. The Valuers have ascertained share valuations based on discounted free cash flows. The effects of these valuations have been accounted for retrospectively in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors) and comparative figures have been restated in compliance with the aforementioned order.

	As at June 30, 2018			As at June 30, 2017		
	As previously reported	Restatement	As restated	As previously reported	Restatement	As restated
	----- Rupees in thousand -----					
Effect on statement of financial position						
Investments in Associated Companies	1,134,680	(38,342)	1,096,338	1,169,315	(406,144)	763,171
Equity	2,681,727	(38,342)	2,643,385	2,686,843	(296,544)	2,390,299
Deferred taxation liability / (asset)	0	0	0	75,492	(109,600)	(34,108)
Effect on statement of changes in equity						
Unappropriated profit / (accumulated loss)	56,854	(38,342)	18,512	86,624	(296,544)	(209,920)
Effect on statement of profit or loss for the year ended June 30, 2018						
Share of loss of Associated Companies - net	(27,030)	743	(26,287)	-	-	-
Impairment reversal on Investments in Associated Companies	0	365,334	365,334	-	-	-
Taxation	29,542	109,600	139,142	-	-	-
	----- Rupees -----					
Earnings per share	5.40	26.98	32.38	-	-	-

6.PROPERTY, PLANT AND EQUIPMENT (Operating fixed assets - tangible)

Particulars	Buildings on freehold land				Plant & machinery	Weigh-ment and material handling equip-ment	Tools and equip-ment	Furni-ture and fixtures	Electric fittings	Office equip-ment	Comp-uters and T.V.	Vehicles	Arms	Total
	Freehold land	Factory	Resid-ential	Others										
----- Rupees in thousand -----														
As at July 01, 2017														
Cost / revaluation	742,500	35,864	15,109	26,853	588,481	407	45	1,523	7,147	1,139	5,479	29,186	4,016	1,457,749
Accumulated depreciation	0	11,478	2,104	2,886	295,860	267	19	599	4,211	441	3,409	21,838	1,577	344,689
Book value	742,500	24,386	13,005	23,967	292,621	140	26	924	2,936	698	2,070	7,348	2,439	1,113,060
Year ended June 30, 2018:														
Additions	0	0	0	2,081	9,810	0	0	575	591	181	1,168	1,905	0	16,311
Disposals:														
- cost	0	0	0	0	0	0	0	0	0	0	0	1,000	0	1,000
- depreciation	0	0	0	0	0	0	0	0	0	0	0	978	0	978
	0	0	0	0	0	0	0	0	0	0	0	22	0	22
Depreciation for the year	0	2,439	1,301	2,466	29,941	14	2	141	333	80	833	1,816	244	39,610
Book value	742,500	21,947	11,704	23,582	272,490	126	24	1,358	3,194	799	2,405	7,415	2,195	1,089,739
Year ended June 30, 2019:														
Additions	0	0	0	0	5,435	0	0	0	0	27	187	0	0	5,649
Depreciation for the year	0	1,619	863	1,739	20,320	9	2	100	311	60	708	1,409	162	27,302
Book value	742,500	20,328	10,841	21,843	257,605	117	22	1,258	2,883	766	1,884	6,006	2,033	1,068,086
As at June 30, 2018														
Cost / revaluation	742,500	35,864	15,109	28,934	598,291	407	45	2,098	7,738	1,320	6,647	30,091	4,016	1,473,060
Accumulated depreciation	0	13,917	3,405	5,352	325,801	281	21	740	4,544	521	4,242	22,676	1,821	383,321
Book value	742,500	21,947	11,704	23,582	272,490	126	24	1,358	3,194	799	2,405	7,415	2,195	1,089,739
As at June 30, 2019														
Cost / revaluation	742,500	35,864	15,109	28,934	603,726	407	45	2,098	7,738	1,347	6,834	30,091	4,016	1,478,709
Accumulated depreciation	0	15,536	4,268	7,091	346,121	290	23	840	4,855	581	4,950	24,085	1,983	410,623
Book value	742,500	20,328	10,841	21,843	257,605	117	22	1,258	2,883	766	1,884	6,006	2,033	1,068,086
Depreciation rate (%)		5	5	5	5	5	5	5	10	5	30	20	5	

- 6.1** Freehold land represents 83,466.405 square meters of land situated at D I Khan Road, Bannu.
- 6.2** The management as at January 01, 2019, in order to ascertain the useful life of buildings on freehold land, plant & machinery, weight & material handling equipment, tools & equipment, furniture & fixtures, electrical fittings, office equipment and arms has carried-out an internal exercise and assessed the remaining useful life of these assets. Keeping in consideration the assessed useful life of these assets, the depreciation rates have been found excessive and consequently reduced to 5% from 10% per annum except electrical fittings. The aforementioned revision has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect of this change in accounting estimate has been recognised prospectively in the statement of profit or loss of the current year. Had there been no revision, loss before taxation for the current year would have been higher by Rs. 8.072 million and carrying value of operating fixed assets would have been lower by Rs. 8.072 million.
- 6.3** 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:

	2019	2018
	Rupees in thousand	
Freehold land	152	152
Buildings on freehold land	16,417	17,724
Plant & machinery	201,920	212,372
	<u>218,489</u>	<u>230,248</u>

- 6.4** Based on the latest revaluation exercise carried-out on May 31, 2016, forced sale value of the Company's revalued assets was Rs.895.411 million.

6.5 Depreciation for the year has been apportioned as under:

Cost of sales	22,261	32,730
Administrative expenses	5,041	6,880
	<u>27,302</u>	<u>39,610</u>

7. INTANGIBLE ASSETS - Computer software

Cost at beginning of the year	538	188
Additions during the year	0	350
Less: amortisation :		
- opening balance	154	76
- charge for the year	107	78
- as at June 30,	261	154
Book value as at June 30 ,	<u>277</u>	<u>384</u>

- 7.1** Amortisation is charged to income applying straight-line method at the rate of 20% per annum.

8. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted	(Restated) (Restated)		
	2019	2018	2017
	----- Rupees in thousand -----		
Babri Cotton Mills Ltd. (BCM)			
144,421 ordinary shares of Rs.10 each - cost	1,632	1,632	1,632
Equity held: 3.95%			
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BCM	16,588	18,787	22,266
Loss for the year - net of taxation	(1,543)	(2,407)	(4,601)
Share of other comprehensive income / (loss) - net of taxation	8	(450)	286
Share of revaluation surplus on property, plant and equipment	35,545	36,208	36,866
	<u>52,230</u>	<u>53,770</u>	<u>56,449</u>
Janana De Malucho Textile Mills Ltd. (JDM)			
1,559,230 ordinary shares of Rs.10 - cost	27,762	27,762	27,762
Equity held: 32.59%			
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	267,128	286,917	322,374
Dividend received	0	0	(1,949)
Profit / (loss) for the year - net of taxation	2,789	(23,880)	(40,131)
Share of other comprehensive income / (loss) - net of taxation	175	(5,253)	43
Share of revaluation surplus on property, plant and equipment	747,672	757,022	763,957
	<u>1,045,526</u>	<u>1,042,568</u>	<u>1,072,056</u>
Carrying value under equity method of accounting	1,097,756	1,096,338	1,128,505
Less: impairment loss - BCM	0	0	(5,736)
- JDM	0	0	(359,598)
	<u>0</u>	<u>0</u>	<u>(365,334)</u>
	<u>1,097,756</u>	<u>1,096,338</u>	<u>763,171</u>

8.1 Although the Company has less than 20 % voting rights in BCM as at June 30, 2019 and 2018, these Companies have been treated as Associated Companies by virtue of common directorship.

8.2 Market values of the Company's investments in BCM and JDM as at June 30, 2019 were Rs.5.406 million (2018: Rs.7.365 million) and Rs.96.672 million (2018: Rs.99.993 million) respectively.

8.3 BCM was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. 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, 2019 is as follows:

	2019	(Restated) 2018	(Restated) 2017
Summarised statement of financial position	----- Rupees in thousand -----		
Non-current assets	1,944,395	1,813,864	1,680,117
Current assets	1,063,252	815,533	723,756
	3,007,647	2,629,397	2,403,873
Deferred income	0	0	2,100
Non-current liabilities	278,310	231,432	177,942
Current liabilities	1,407,826	1,037,531	771,525
	1,686,136	1,268,963	951,567
Net assets	1,321,511	1,360,434	1,452,306
Reconciliation to carrying amount			
Opening net assets	1,360,434	1,452,306	1,469,463
Loss for the year	(39,018)	(84,439)	(29,296)
Other comprehensive income / (loss) for the year	203	(11,374)	7,222
Other adjustments	(108)	3,941	4,917
Closing net assets	1,321,511	1,360,434	1,452,306
Company's share percentage 3.95% (2018: 3.95%)			
Company's share	52,200	53,737	57,366
Impairment loss and miscellaneous adjustments	30	33	(6,653)
Carrying amount of investment	52,230	53,770	50,713
Summarised statement of profit or loss			
Sales	2,218,285	1,890,012	1,649,638
(Loss) / profit before taxation	(95,379)	(84,477)	48,121
Loss after taxation	(39,018)	(84,439)	(29,296)

8.4 JDM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. 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, 2019 is as follows:

Summarised statement of financial position	2019	(Restated) 2018	(Restated) 2017
	----- Rupees in thousand -----		
Non-current assets	3,437,965	3,432,375	3,520,713
Current assets	1,244,097	1,542,192	1,285,961
	<u>4,682,062</u>	<u>4,974,567</u>	<u>4,806,674</u>
Non-current liabilities	231,065	229,569	375,183
Current liabilities	1,204,244	1,506,888	1,120,964
	<u>1,435,309</u>	<u>1,736,457</u>	<u>1,496,147</u>
Net assets	<u>3,246,753</u>	<u>3,238,110</u>	<u>3,310,527</u>
Reconciliation to carrying amount			
Opening net assets	3,238,110	3,310,527	3,318,307
Profit / (loss) for the year	6,296	(62,524)	(8,444)
Dividend paid during the year	0	0	(5,981)
Other comprehensive income / (loss) for the year	537	(16,068)	132
Other adjustments	1,810	6,175	6,513
Closing net assets	<u>3,246,753</u>	<u>3,238,110</u>	<u>3,310,527</u>
Company's share percentage 32.59% (2018: 32.59%)			
Company's share	1,058,117	1,055,300	1,078,901
Impairment loss and miscellaneous adjustments	(12,591)	(12,732)	(366,443)
Carrying amount of investment	<u>1,045,526</u>	<u>1,042,568</u>	<u>712,458</u>
Summarised statement of profit or loss			
Sales	<u>3,379,664</u>	<u>2,782,025</u>	<u>2,515,643</u>
Profit / (loss) before taxation	<u>41,272</u>	<u>(73,217)</u>	<u>(21,538)</u>
Profit / (loss) after taxation	<u>6,296</u>	<u>(62,524)</u>	<u>(8,444)</u>

- 8.5** The value of investment in BCM as at June 30, 2019 and June 30, 2018 is based on independent valuation carried-out by M/s Aamir Salman Rizwan; Chartered Accountants, engaged by the management. The recoverable amounts have been estimated based on value in use calculations. These calculations have been made on discounted cash flow based valuation methodology, which assumes gross profit margin of 11.25% (2018:11.25%), terminal growth rate of 5% (2018: 5%) and capital asset pricing model based discount rate of 12.43% (2018: investor's required rate of return of 9.71%).
- 8.6** The value of investment in JDM as at June 30, 2019 and June 30, 2018 is based on independent valuation carried-out by M/s Aamir Salman Rizwan; Chartered Accountants, engaged by the management. The recoverable amounts have been estimated based on value in use calculations. These calculations have been made on discounted cash flow based valuation methodology, which assumes average gross profit margin of 10.90% (2018: 10.78%), terminal growth rate of 5% (2018: 5%) and capital asset pricing model based discount rate of 12.38% (2018: investor's required rate of return of 9.71%).
- 8.7** Also refer to the contents of note 5.

9. ADVANCES - Unsecured		2019	2018
Advances to employees against salary		Rupees in thousand	
	Note		
Opening balance		1,792	1,853
Add: advances made during the year		397	624
Less: deductions made during the year		(1,940)	(685)
		<u>249</u>	<u>1,792</u>
Less: recoverable within the following twelve months		(193)	(1,792)
Closing balance		<u>56</u>	<u>0</u>
10. STORES AND SPARES			
Stores		23,280	29,933
Spares		47,930	49,444
	10.1	<u>71,210</u>	<u>79,377</u>
Less: provision for slow moving stores and spares		2,000	2,000
		<u>69,210</u>	<u>77,377</u>
10.1 No inventory was in transit as at June 30, 2019 (inventory valuing Rs.5,254 thousand was in transit as at June 30, 2018).			
10.2 The Company does not hold any stores and spares for specific capitalisation.			
11. STOCK-IN-TRADE			
Raw materials:			
- at warehouse	11.1	124,525	184,491
- in transit		0	77
		<u>124,525</u>	<u>184,568</u>
Work-in-process		37,841	29,217
Finished goods			
- own manufactured	11.2	370,283	389,745
- trading goods		404	15,759
		<u>370,687</u>	<u>405,504</u>
		<u>533,053</u>	<u>619,289</u>
11.1 Raw material inventories as at June 30, 2019 include inventories costing Rs.29.260 million (2018: Rs. Nil), which have been stated at net realisable value; the amount charged to statement of profit or loss in respect of inventories write down to net realisable value worked-out to Rs.28.119 million (2018: Rs. Nil) approximately. These write downs have been made based on management assessment of future usability of these inventory items comprising of wool and prevalent market conditions. The demand for coarse woollen products has declined significantly due to mild weather conditions and availability of cheap synthetic imported wool products over the past few years.			
11.2 Raw materials and finished good inventories as at June 30, 2019 are pledged with National Bank of Pakistan as security for short term finance facilities (note 21).			
12. TRADE DEBTS - Unsecured			
Considered good		473,020	342,617
Considered doubtful		21,413	21,413
		<u>494,433</u>	<u>364,030</u>
Less: allowance for Expected Credit Loss	12.1	(10,706)	0
		<u>483,727</u>	<u>364,030</u>

12.1 IFRS 9 (Financial Instruments) has introduced the Expected Credit Loss (ECL) model, which replaced the incurred loss model of IAS 39 (Financial Instruments: Recognition and Measurement) whereby an allowance for doubtful debts was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognise an allowance for doubtful debts on trade debts irrespective whether a loss event has occurred. For trade debts, the Company has applied IFRS 9 using simplified approach to measure the expected credit losses, which uses a life time expected loss allowance.

12.2 No mark-up has been charged on dealers' balances during the current year (2018: mark-up was charged on the dealers' balances due after normal credit term and grace period at the rates applicable on short term finance facilities as disclosed in note 21).

13. OTHER RECEIVABLES

	Note	2019 Rupees in thousand	2018
Letters of credit		0	30
Others		643	393
		<u>643</u>	<u>423</u>

14. CASH AND BANK BALANCES

Cash-in-hand		846	821
Cash at banks on:			
- current accounts		1,423	152
- dividend accounts		1,888	563
- PLS accounts	14.1	1,228	190
		<u>4,539</u>	<u>905</u>
		<u>5,385</u>	<u>1,726</u>

14.1 These carry profit at the rates ranging from 2.40% to 10.25% (2018: 2.40% to 3.75%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018			
---- Numbers ----				
2,259,375	2,259,375	Ordinary shares of Rs.10 each fully paid in cash	22,594	22,594
7,246,875	7,246,875	Ordinary shares of Rs.10 each issued as fully paid bonus shares	72,469	72,469
<u>9,506,250</u>	<u>9,506,250</u>		<u>95,063</u>	<u>95,063</u>

15.1 Ordinary shares held by the

Associated Companies at the year-end:

	2019	2018
	-- Number of shares --	
Janana De Malucho Textile Mills Ltd.	731,626	731,626
Bibojee Services (Pvt.) Ltd.	2,497,872	2,497,872
The Universal Insurance Company Ltd.	8,940	8,940
	<u>3,238,438</u>	<u>3,238,438</u>

15.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

16. RESERVES	2019	2018
	Rupees in thousand	
16.1 Capital - Share premium reserve:		
859,375 shares @ Rs.7.50 per share issued during the financial year 1991-92	6,445	6,445
650,000 right shares @ Rs.20.00 per share issued during the financial year 1993-94	13,000	13,000
	19,445	19,445
16.2 Revenue - general reserve	654,055	904,055
17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net		
Surplus on revaluation of the Company's property, plant and equipment	17.2	813,080
Share of surplus on revaluation of property, plant and equipment of Associated Companies	8	793,230
	1,591,081	1,606,310
17.1 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.		
17.2 Latest revaluation exercise was carried out by the Company as at May 31, 2016. The revaluation exercise was carried-out by independent Valuers - M/s AXIS Consultants (SMC) Pvt. Ltd., Architects, Engineers and approved Surveyors, Deans Trade Centre, Peshawar Cantt. Freehold land was revalued on the basis of current market value whereas buildings on freehold land and plant & machinery were revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.288.961 million was credited to this account. The year-end balance has been arrived at as follows:		
Opening balance	841,973	853,043
Less: transferred to unappropriated profit on account of incremental depreciation for the year	(7,347)	(11,070)
	834,626	841,973
Less: deferred tax on:		
- opening balance of surplus	28,893	33,210
- incremental depreciation for the year	(2,131)	(3,321)
	26,762	29,889
	807,864	812,084
Resultant adjustment due to reduction in tax rate	0	996
Closing balance	807,864	813,080
17.3 The depreciation rates of buildings on freehold land and plant & machinery have been revised during the current year as fully detailed in note 6.2.		

18. STAFF RETIREMENT BENEFITS - Gratuity

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

Significant actuarial assumptions	2019	2018
- discount rate	14.25%	9.00%
- expected rate of growth per annum in future salaries	13.25%	8.00%
- mortality rates	SLIC	SLIC
	2001-2005	2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

Amount recognised in the statement of financial position is the present value of defined benefit obligation at the reporting date.

18.2 The movement in the present value of defined benefit obligation is as follows:

	Note	2019	2018
		Rupees in thousand	
Opening balance		70,973	203,118
Current service cost		10,304	10,002
Interest cost		5,028	4,569
Benefits paid		(29,777)	(16,849)
Staff retirement benefit due but unpaid - classified as current liability	18.3	(430)	(69,892)
Gain on plan curtailment	18.3	0	(62,254)
Remeasurements:			
- experience adjustments		660	2,070
- loss due to changes in financial assumptions		546	209
Closing balance		57,304	70,973
Expense / (income) recognised in statement of profit or loss :			
Current service cost		10,304	10,002
Interest cost		5,028	4,569
Gain on plan curtailment		0	(62,254)
		15,332	(47,683)
Remeasurement recognised in other comprehensive income		1,206	2,279

18.3 The Board of directors of the Company, in their meeting held on October 30, 2017, had decided to make payment of the gratuity benefits payable to all the executive officers of the Company and to introduce staff provident fund for all of these employees with effect from July 01, 2017. This resulted in gain amounting Rs.62.254 million.

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

	2019	2018	2017	2016	2015
	----- Rupees in thousand -----				
Present value of defined benefit obligation	<u>57,304</u>	<u>70,973</u>	<u>203,118</u>	<u>185,062</u>	<u>160,505</u>
Experience adjustments on obligation	<u>1,206</u>	<u>2,279</u>	<u>(1,775)</u>	<u>2,332</u>	<u>0</u>
Year-end sensitivity analysis:	Impact on defined benefit obligation				
	Change in assumption		Increase		Decrease
			Rupees in thousand		
Discount rate	1%		<u>52,898</u>		<u>62,384</u>
Salary growth rate	1%		<u>62,447</u>		<u>52,768</u>

18.4 The average duration of the defined benefit obligation as at June 30, 2019 is 8 years.

18.5 The expected contribution to defined benefit obligation for the year ending June 30, 2020 is Rs.14.366 million.

19. DEFERRED TAXATION - Net

	2019	(Restated) 2018	(Restated) 2017
	----- Rupees in thousand -----		
This is composed of the following:			
Taxable temporary differences arising in respect of :			
- accelerated tax depreciation allowances	<u>39,252</u>	39,736	42,883
- surplus on revaluation of property, plant & equipment	<u>26,761</u>	28,892	33,209
	<u>66,013</u>	68,628	76,092
Deductible temporary differences arising in respect of :			
- provision against slow moving stores and spares	<u>(580)</u>	(580)	(600)
- allowance for ECL on trade debts	<u>(3,105)</u>	0	0
- minimum tax recoverable against normal tax charge in future years	<u>(8,294)</u>	0	0
- impairment loss provided for on investments in Associated Companies	<u>0</u>	0	(109,600)
	<u>54,034</u>	68,048	(34,108)

19.1 Also refer to the contents of note 5.

20. TRADE AND OTHER PAYABLES

	Note	2019 Rupees in thousand	2018 Rupees in thousand
Due to a related party - Gammon Pakistan Ltd.		<u>2,990</u>	0
Creditors		<u>13,434</u>	21,218
Bills payable	20.1	<u>0</u>	4,955
Advances from customers - contract liabilities		<u>3,463</u>	3,305
Security deposits - interest free, repayable on demand	20.2	<u>7,700</u>	5,700
Accrued expenses		<u>49,769</u>	66,453
Workers' (profit) participation fund	20.4	<u>0</u>	5,955
Due to Waqf-e-Kuli Khan	28.1	<u>5,524</u>	5,524
Tax deducted at source		<u>3,163</u>	4,287
Workers' welfare fund		<u>4,549</u>	7,142
Staff provident fund payable		<u>0</u>	12,587
Sales tax payable		<u>28,577</u>	4,792
Staff retirement benefits (gratuity) due but unpaid	18.3 & 20.3	<u>30,940</u>	69,892
Others		<u>349</u>	395
		<u>150,458</u>	212,205

- 20.1** These are secured against the securities as detailed in note 21.
- 20.2** These represent interest free security deposits received from the Company's dealers. The amounts received have been utilised for the purpose of business in accordance with the written agreements entered into with the dealers.
- 20.3** During the preceding financial year upon introduction of staff provident fund, gratuity benefits payable were reclassified and grouped under current liabilities. Further, these include Rs.30.940 million (2018: Rs.50.271 million) payable to key management personnel.

20.4 Workers' (profit) participation fund (the Fund)*	2019	2018
	Rupees in thousand	
Opening balance	5,955	5,369
Less: payments made during the year	5,955	5,332
	0	37
Add: allocation for the year	0	5,918
	0	5,955

* The Fund's audit for the year ended June 30, 2018 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

21. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.450 million (2018: Rs.270 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 8.92% to 14.60% (2018: 8.13% to 8.50%) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.100 million (2018: Rs.100 million), which remained unutilised at the year-end (the amount remained unutilised as at June 30, 2018 amounted Rs.88.023 million). The aggregate facilities are secured against pledge of stocks, first charge on current and fixed assets of the Company for Rs.193.333 million and Rs.280.333 million respectively and lien on import documents. These facilities are available upto December 31, 2019.

22. TAXATION - Net

Opening balance	37,769	32,745
Add: provision made during the year:		
- current [net of tax credit under section 65B of the Ordinance amounting Rs.0.272 million (2018: Rs.1.058 million)]	8,294	37,040
- prior year	9	(1,050)
	8,303	35,990
Less: payments / adjustments made during the year against completed assessments	37,049	30,966
Closing balance	9,023	37,769

- 22.1** Income tax assessments of the Company have been completed upto the tax year 2018 i.e. accounting year ended June 30, 2018.

22.2 The Company's writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) is still pending adjudication. An adverse judgment by the 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 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.

22.3 The Company has filed a reference application before the Lahore High Court on December 01, 1994 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.

22.4 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, on July 09, 2010 has issued an order under section 221 of the Ordinance creating demand of Rs.775 thousand.

22.5 The Commissioner Inland Revenue - Appeals (CIRA) for the tax year 2008 has decided the appeal in the Company's favour on December 12, 2014 and deleted the demand of Rs.4.368 million. The Department has filed further appeal before the ATIR on June 02, 2016, which is pending adjudication.

22.6 The Department for the tax year 2009 had charged tax under section 122(5A) of the Ordinance amounting Rs.3.553 million on November 25, 2014 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 on May 17, 2016, which are pending adjudication.

22.7 The Department for the tax year 2013 had charged tax under section 221 of the Ordinance (Rectification of mistakes) amounting Rs.28.673 million on April 08, 2013 against which the Company filed an appeal before the CIRA, who decided the appeal on August 18, 2015 against the Company. The Company as well as the Department have filed further appeals before the ATIR on August 26, 2015, which are pending adjudication. The Company, however, has paid the whole of the demand and no further provision is required.

22.8 The Assessing Officer, during the financial year ended June 30, 2017, had imposed tax amounting Rs.972 thousand on June 15, 2016 for late filing of statements under sections 165/182 of the Ordinance for some of the months of tax year 2016. The Company had filed an appeal before the CIRA, who decided the case in favour of the Company on November 22, 2017. The Department against the said order filed an appeal before the ATIR on January 19, 2018, which is pending adjudication.

23. CONTINGENCIES AND COMMITMENTS

23.1 Refer contents of notes 22.2 to 22.8.

23.2 Commitment against irrevocable letters of credit for raw materials

2019 **2018**
Rupees in thousand

<u>0</u>	<u>7,022</u>
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24. SALES - Net		2019	2018
Own manufactured:	Note	Rupees in thousand	
Fabrics and blankets		782,301	876,474
Waste		914	687
		<u>783,215</u>	<u>877,161</u>
Goods purchased for resale:			
Fabric lawn		14,251	23,099
		<u>797,466</u>	<u>900,260</u>
Less: sales tax		75,753	61,641
discount		36,802	0
		<u>112,555</u>	<u>61,641</u>
		<u><u>684,911</u></u>	<u><u>838,619</u></u>
25. COST OF SALES			
Raw materials consumed	25.1	219,395	246,046
Salaries, wages and benefits	25.2	179,434	181,672
Power and fuel		37,566	48,631
Stores and spares consumed		13,213	21,503
Repair and maintenance		14,337	28,668
Depreciation	6.5	22,261	32,730
Insurance		3,623	3,130
Others		1,920	2,025
		<u>491,749</u>	<u>564,405</u>
Adjustment of work-in-process			
Opening		29,217	28,879
Closing	11	(37,841)	(29,217)
		<u>(8,624)</u>	<u>(338)</u>
Cost of goods manufactured		<u>483,125</u>	<u>564,067</u>
Adjustment of finished goods			
Opening stock		389,745	350,606
Closing stock	11	(370,283)	(389,745)
		<u>19,462</u>	<u>(39,139)</u>
Cost of goods sold -own manufactured		<u>502,587</u>	<u>524,928</u>
Cost of goods sold -goods purchased for resale			
Opening stock		15,759	26,013
Purchases		0	30,603
Less: closing stock	11	(404)	(15,759)
		<u>15,355</u>	<u>40,857</u>
		<u><u>517,942</u></u>	<u><u>565,785</u></u>

25.1 Raw materials consumed	Note	2019	2018
		Rupees in thousand	
Opening stock		184,568	211,868
Add: purchases		159,352	218,746
		343,920	430,614
Less: closing stock	11	124,525	184,568
		219,395	246,046

25.2 These include contribution to staff provident fund aggregating Rs.2.926 million (2018: Rs.2.956 million). These also include staff retirement benefits - gratuity amounting Rs.14.335 million (2018: an amount of Rs.13.771 million was netted-off against the expense on account of staff retirement benefits - gratuity).

26. DISTRIBUTION COST

Commission		20,967	32,861
Travelling		353	967
Rent		6,234	16,095
Salaries and benefits	26.1	10,508	13,379
Outward freight		344	408
Advertisement and sales promotion		1,079	7,424
Communication		586	488
Repair and maintenance		2,564	6,985
Vehicles' running		146	459
Others		472	729
		43,253	79,795

26.1 These include contribution to staff provident fund aggregating Rs.68 thousand (2018: Rs.66 thousand). These also include staff retirement benefits - gratuity amounting Rs.491 thousand (2018: an amount of Rs.238 thousand was netted-off against the expense on account of staff retirement benefits - gratuity).

27. ADMINISTRATIVE EXPENSES

	Note	2019 Rupees in thousand	2018
Salaries and benefits	27.1	66,847	30,450
Travelling - directors		60	185
- others		627	716
Rent, rates and taxes		1,311	1,261
Entertainment / guest house expenses		2,121	3,557
Communication		785	956
Printing and stationery		870	899
Electricity		5,848	4,319
Insurance		84	549
Repair and maintenance		2,788	3,218
Vehicles' running		3,277	3,951
Advertisement		126	178
Subscription / papers and periodicals		708	598
Depreciation	6.5	5,041	6,880
Amortisation	7	107	78
Auditors' remuneration:			
- statutory audit		1,015	923
- half yearly review		175	173
- consultancy charges		216	184
- certification charges		16	21
- out-of-pocket expenses		45	45
		1,467	1,346
Legal and professional charges (other than Auditors)		2,222	1,594
		94,289	60,735

27.1 These include contribution to staff provident fund aggregating Rs.3.581 million (2018: Rs.3.271 million). These also include staff retirement benefits - gratuity amounting Rs.0.506 million (2018: an amount of Rs.33.675 million was netted-off against the expense on account of staff retirement benefits - gratuity).

28. OTHER EXPENSES

Donation to Waqf-e-Kuli Khan	28.1	0	1,981
Workers' (profit) participation fund	20.4	0	5,918
Workers' welfare fund		0	2,592
Exchange fluctuation loss-net		2,022	502
Allowance for ECL on trade debts	12	10,706	0
		12,728	10,993

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

- Mr. Ahmad Kuli Khan Khattak
- Mrs. Shahnaz Sajjad Ahmad

- Mr. Mushtaq Ahmad Khan, FCA

29. OTHER INCOME	Note	2019 Rupees in thousand	2018
Income from financial assets			
Mark-up earned on:			
- PLS accounts		568	806
- dealers' balances		0	1,639
		<u>568</u>	<u>2,445</u>
Income from other than financial assets			
Sale of empties / scrap		314	777
Unclaimed payable balances written-back		138	706
Gain on sale of operating fixed assets		0	188
		<u>452</u>	<u>1,671</u>
		<u>1,020</u>	<u>4,116</u>
30. FINANCE COST			
Mark-up on short term finances		41,638	17,372
Bank charges		121	180
		<u>41,759</u>	<u>17,552</u>
31. TAXATION			
Current:			
- for the year		8,294	37,040
- for prior year		9	(1,050)
	22	<u>8,303</u>	<u>35,990</u>
Deferred:			
- for the year	19	(14,014)	102,156
- resultant adjustment due to reduction in tax rate	17	0	996
		<u>(14,014)</u>	<u>103,152</u>
		<u>(5,711)</u>	<u>139,142</u>

31.1 (a) No numeric tax rate reconciliation for the financial year ended June 30, 2019 is presented in these financial statements as the Company is liable to pay tax due under section 113 (Minimum tax on turnover) of the Income Tax Ordinance, 2001 (the Ordinance).

(b) Relationship between tax expense and accounting profit for the year ended June 30, 2018

	Rupees in thousand
Accounting profit before tax	446,922
Tax calculated at the applicable rate of 30%	<u>134,077</u>
Tax effect of accounting and tax depreciation	5,143
Prior year's adjustment	(1,050)
Tax credit under section 65B of the Ordinance	(1,058)
Tax effect of share of loss on investments in Associated Companies	(101,221)
Deferred tax	102,156
Effect on opening balance of deferred taxation due to reduction in tax rate	996
Others	99
Tax charge for the preceding year	<u>139,142</u>

32. (LOSS) / EARNINGS PER SHARE	2019	(Restated) 2018
	Rupees in thousand	
There is no dilutive effect on (loss) / earnings per share of the Company, which is based on:		
(Loss) / profit after taxation attributable to ordinary shareholders	<u>(17,083)</u>	<u>307,780</u>
	--- No. of shares ---	
Weighted average number of shares in issue during the year	<u>9,506,250</u>	<u>9,506,250</u>
	----- Rupees -----	
(Loss) / earnings per share - basic	<u>(1.80)</u>	<u>32.38</u>

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial instruments by category

Financial assets

At amortised cost

	2019	2018
	Rupees in thousand	
Advances to employees	6,867	19,884
Trade debts	483,727	364,030
Other receivables	643	393
Cash and bank balances	5,385	1,726

Financial liabilities

At amortised cost

	2019	2018
Trade and other payables	110,706	174,137
Unpaid dividends	3,452	3,419
Unclaimed dividends	6,545	3,202
Accrued mark-up	11,172	4,879
Short term finances	385,248	250,144
	<u>517,123</u>	<u>435,781</u>

33.2 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.

33.3 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. \$ and Euro. However, the Company is not exposed to foreign currency risk as at June 30, 2019 as it has no foreign currency financial instrument. The Company's exposure to foreign currency risk as at June 30, 2018 for U.S. \$ and Euro was as follows:

	Rupees in thousand
Funded:	
Bills payable - as at June 30, 2018: Euro 35,000	4,955
Unfunded:	
Outstanding letters of credit - as at June 30, 2018: U.S.\$ 57,750	7,022
Total exposure	<u>11,977</u>

The following significant exchange rates were applied for the year ended June 30, 2018:

	Average rate	Reporting date rate
U.S. \$ to Rupee	109.75	121.60
Euro to Rupee	151.90	141.57

Sensitivity analysis

At June 30, 2018, if Rupee had strengthened by 10% against Euro and U.S. \$ with all other variables held constant, profit before taxation for the preceding year would have been higher by Rs.496 thousand mainly as a result of foreign exchange gain on translation of financial liabilities.

The sensitivity analysis prepared was not necessarily indicative of the effect on profit for the preceding 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:

	2019 Effective rate %	2018 %	2019 Rupees in thousand Carrying amount	2018 Rupees in thousand Carrying amount
Financial assets				
Bank balances	2.40 to 10.25	2.40 to 3.75	<u>1,228</u>	<u>190</u>
Variable rate instruments				
Financial liabilities				
Short term finances	8.92 to 14.60	8.13 to 8.50	<u>385,248</u>	<u>250,144</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2019, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss before taxation for the year would have been higher by Rs.3,852 thousand mainly as a result of higher interest expense on variable rate financial liabilities; (2018: profit before taxation for the year would have been lower by Rs.2,501 thousand mainly as a result of higher 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.

33.4 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 120 days for all shirting fabrics including blankets and shawls and 150 days for blazer cloth (2018: 60 days for all products) 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:

Banks	Short term rating	Long term rating	Agency
Allied Bank Ltd.	A1+	AAA	PACRA
Bank Alfalah Ltd.	A1+	AA+	PACRA
Meezan Bank Ltd.	A1+	AA+	JCR - VIS
National Bank of Pakistan	A1+	AAA	PACRA

Exposure to credit risk

Maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	2019	2018
	Rupees in thousand	
Security deposits	3,794	2,994
Trade debts	494,433	364,030
Bank balances	4,539	905
	<u>502,766</u>	<u>367,929</u>

All the trade debts at the reporting date represent domestic parties.

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

	2019	2018
	Rupees in thousand	
Not past due	256,608	214,788
Past due 1 - 30 days	7,783	10,992
Past due 30 - 150 days	87,683	48,977
Past due above 150 days	142,359	89,273
	494,433	364,030

Trade debts are due from local customers for local sales. All the trade debts are unsecured and considered good. Management assesses the credit quality of local customers taking into account their financial position, past experience and other factors. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

The Company always measures the loss allowance for trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of Rs.10.706 million against all local trade debts.

33.5 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:

	Carrying amount	Contractual cash flows having maturity of less than one year
	Rupees in thousand	
June 30, 2019		
Trade and other payables	110,706	110,706
Unpaid dividends	3,452	3,452
Unclaimed dividends	6,545	6,545
Accrued mark-up	11,172	11,172
Short term finances	385,248	410,270
	517,123	542,145
June 30, 2018		
Trade and other payables	174,137	174,137
Unpaid dividends	3,419	3,419
Unclaimed dividends	3,202	3,202
Accrued mark-up	4,879	4,879
Short term finances	250,144	260,775
	435,781	446,412

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

34. MEASUREMENT OF FAIR VALUES

Fair value is 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. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. 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.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Director		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
Remuneration (including bonus)	6,382	6,762	16,223	16,283	43,196	39,256
Retirement benefits	583	583	1,351	1,351	3,422	3,029
House rent	1,715	1,715	0	0	2,060	2,224
Insurance	0	0	0	0	16	14
Reimbursement of medical and other expenses	53	19	518	388	1,489	2,373
Utilities	136	94	671	579	580	852
	8,869	9,173	18,763	18,601	50,763	47,748
Number of persons	1	1	1	1	9	8

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

35.2 In addition to above, meeting fees of Rs.940 thousand (2018: Rs.700 thousand) were also paid to eight (2018: seven) non-working directors.

36. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Short term finances	Dividend	Accrued mark-up	Total
----- Rupees in thousand -----				
Balance as at July 01, 2017	140,330	6,010	1,035	147,375
Changes from financing activities				
Short term finances obtained net of repayments	109,814	0	0	109,814
Dividend paid	0	(46,920)	0	(46,920)
Finance cost paid	0	0	(13,708)	(13,708)
	109,814	(46,920)	(13,708)	49,186
Other changes				
Mark-up expense	0	0	17,552	17,552
Dividend declared	0	47,531	0	47,531
	0	47,531	17,552	65,083
Balance as at June 30, 2018	250,144	6,621	4,879	261,644
Changes from financing activities				
Short term finances obtained net of repayments	135,104	0	0	135,104
Dividend paid	0	(20,390)	0	(20,390)
Finance cost paid	0	0	(35,466)	(35,466)
	135,104	(20,390)	(35,466)	79,248
Other changes				
Mark-up expense	0	0	41,759	41,759
Dividend declared	0	23,766	0	23,766
	0	23,766	41,759	65,525
Balance as at June 30, 2019	385,248	9,997	11,172	406,417

37. TRANSACTIONS WITH RELATED PARTIES

37.1 The Company's shareholders vide a special resolution dated March 29, 2017 have enhanced the previous approved limit of Rs.5.000 million to Rs.12.500 million on account of transactions among Associated Companies of the Group, which fall under normal trade transactions for sale and purchase of store and spare parts, purchase of raw materials and certain other related transactions not falling within the preview of section 208 of the repealed Companies Ordinance, 1984 (now section 199 of the Companies Act, 2017) or the regulations made thereunder.

37.2 Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.54 thousand (2018: Rs.1,083 thousand).

37.3 The related parties of the Company comprise of Associated Companies, its directors, key management personnel and employees' provident fund. The Company in the normal course of business carries-out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment. Amounts due to / from them are disclosed in the relevant notes. The transactions with related parties are made at normal market prices.

37.4 Name and nature of relationship**Associated Companies and Undertaking****Due to significant influence**

Janana De Malucho Textile Mills Ltd.. (32.59% shares held in the Company)

Due to common directorship

Babri Cotton Mills Ltd.

Gammon Pakistan Ltd.

Bibojee Services (Pvt.) Ltd.

The Universal Insurance Company Ltd.

Waqf-e-Kuli Khan

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

37.5 Significant transactions with the related parties

Name	Nature of relationship	Nature of transaction	2019 Rupees in thousand	2018
Janana De Malucho Textile Mills Ltd.	Associated Company	Dividend paid	1,829	3,658
		Purchase of raw-materials	1,014	0
		Utilities / expenses paid	1,806	1,639
		Salaries & benefits paid	438	0
Gammon Pakistan Ltd.	-do-	Rent paid	5,190	16,245
		Utilities / expenses paid	800	800
Bibojee Services (Pvt.) Ltd.	-do-	Dividend paid	6,245	12,489
The Universal Insurance Company Ltd.	-do-	Dividend paid	22	45
Waqf-e-Kuli Khan	Associated Undertaking	Donation	0	1,981
Key management personnel		Salaries and benefits	61,662	57,131

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 dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt, mark-up bearing short term finances less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at June 30, 2019 and June 30, 2018 is as follows:

	2019	2018
	Rupees in thousand	
Short term finances	385,248	250,144
Cash and bank balances	(5,385)	(1,726)
Net debt	379,863	248,418
Share capital	95,063	95,063
Share premium reserve	19,445	19,445
Revaluation surplus on property, plant and equipment	1,591,081	1,606,310
General reserve	654,055	904,055
Unappropriated profit	241,858	18,512
Equity	2,601,502	2,643,385
Capital	2,981,365	2,891,803
Gearing ratio (Net debt / (Net debt + Equity))	12.74%	8.59%

39. OPERATING SEGMENT

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

- 39.1** Fabric and blanket sales represent 98.21% (2018: 97.43%) 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, 2019 are located in Pakistan.
- 39.4** Five (2018: five) of the Company's customers having sales aggregating Rs.671.266 million (2018: Rs.690.582 million) contributed towards 84.17% (2018: 76.71%) of the Company's gross sales. Two out of five customers 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:

Yarn	2019	2018
Number of spindles installed	3,794	3,794
Number of spindles/shifts worked	1,463,923	2,293,807
Installed capacity at 5 Nm count (Kgs.)	2,391,094	2,391,094
Actual production converted into 5 Nm count (Kgs.)	779,642	1,260,709
Number of shifts worked	678	891
Cloth		
Number of looms installed	50	50
Number of looms/shifts worked	11,077	19,064
Installed capacity of 50 operational looms at 30 picks (Meters) (single shift)	1,647,752	1,647,752
Actual production converted into 30 picks (Meters) (03 shifts)	1,093,687	1,541,498
Number of shifts worked	678	888

41. NUMBER OF EMPLOYEES	2019	2018
	----- Numbers -----	
Number of permanent persons employed as at June 30,	467	668
Average number of permanent employees during the year	518	682

42. PROVIDENT FUND RELATING DISCLOSURES

The Company, during the preceding year, has introduced funded contributory employees' provident fund scheme for all its permanent and eligible employees. The following information is based on the audited financial statements of the provident fund:

	2019	2018
	Rupees in thousand	
Size of the fund - total assets	<u>26,382</u>	<u>12,587</u>
Cost of investments made in Regular Income Certificates	<u>21,500</u>	<u>0</u>
Fair value of investments made	<u>21,500</u>	<u>0</u>
	----- % -----	
Percentage of investments made	<u>81.49</u>	<u>0.00</u>

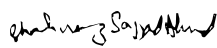
42.1 Investments out of the provident fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 26 September, 2019 by the board of directors of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. Material re-arrangements and re-classifications made in these financial statements have been detailed in note 5.


Shahnaz Sajjad Ahmad
 Chief Executive


Abdul Rehman Qureshi
 Director


A. R. Tahir
 Chief Financial Officer

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 59th Annual General Meeting of the Company to be held at Registered Office, Bannu Woollen Mills Ltd., D.I. Khan Road, Bannu on 25 October, 2019 at 09:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this day of 2019.

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

2. As witness my hand this day of 2019.

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

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