51 Annual Report 2011

BIBOJEE GROUP

BANNU

WOOLLEN MILLS LIMITED

Bannu Woollen Mills Ltd.

بسم الله الرحمن الرحيم

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COMPANY'S PROFILE

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK Chairman LT. GEN. (RETD.) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA MRS. ZEB GOHAR AYUB MRS. SHAHNAZ SAJJAD AHMAD Chief Executive DR. SHAHEEN KULI KHAN MR. MANZOOR AHMAD SHEIKH (NIT) MR. SHER ALI KHAN (SLIC)
AUDIT COMMITTEE	LT. GEN. (RETD.) ALI KULI KHAN KHATTAK Chairman MR. AHMAD KULI KHAN KHATTAK Member MR. MUSHTAQ AHMAD KHAN, FCA Member
COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Sr. General Manager Corporate Affairs
CHIEF FINANCIAL OFFICER	MR. A. R. TAHIR Sr. General Manager (F & C)
INTERNAL AUDITOR	MR. KALIM ASLAM
AUDITORS	M/S HAMEED CHAUDHRI & CO. Chartered Accountants
BANKERS	NATIONAL BANK OF PAKISTAN BANK ALFALAH LIMITED
LEGAL ADVISOR	M/S. HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE
TAX CONSULTANTS	M. NAWAZ KHAN & CO. Ground Floor, Farrah Centre, 2-Mozzang Road, Lahore
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI TEL 021-35375127-29 FAX NO. 021-35820325 EMAIL registrationservices@live.co.uk
REGISTERED OFFICE	BANNU WOOLLEN MILLS LIMITED HABIBABAD, KOHAT (N.W.F.P) TEL. 0922-510063 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk WEB SITE: www.jdm.com.pk
MILLS	D.I.KHAN ROAD, BANNU TEL. 0928 - 613151 - 613250 FAX. 0928 - 611450 E-MAIL: bwm2k@psh.paknet.com.pk Web Site "www.bwm.com.pk"

VISION

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

MISSION STATEMENT

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 50th Annual General Meeting of the Shareholders of Bannu Woollen Mills Limited will be held at the registered office of the Company at Habibabad, Kohat on Sunday the 31st October 2010 at 11:00 A.M. to transact the following business.

1. To confirm the minutes of the 49th Annual General Meeting held on October 31, 2009.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2010 together with the directors' and auditors' reports thereon.

3. To consider and approve the payment of final cash dividend for the year ended 30th June 2010 as recommended by the Board of Directors of the company. The Board of Directors has approved the final cash dividend @ 20% i.e. Rs.2/- per share for the year ended 30th June 2010.

4. To appoint auditors for the year ending on 30th June 2011 and to fix their remuneration.

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

By order of the Board

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

Kohat
Dated: 9th October 2010

NOTES:

BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 23rd October 2010 to 30th October 2010 (both days inclusive). The shares received in the Company's Registrar office i.e. Management & Registration Services (Pvt) Limited, Business Executive Centre, F-17/3, Block 8, Clifton, Karachi before close of business hours on 22nd October 2010 will be considered in order for registration in the name of the transferees to receive the cash dividend.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

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

PARTICIPATION IN ANNUAL GENERAL MEETING:

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

INSTRUCTIONS FOR CDC ACCOUNT HOLDERS:

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

   a. For attending the meeting:

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

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

b. **For appointing proxies:**

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

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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Director are pleased in welcome you on 51th Annual General Meeting of the Company and place before you the Balance Sheet as on 30th June, 2011 alongwith Profit and Loss Account for the year ended 30th June, 2011 with auditors report on these financial statements for your approval.

FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR, 2011

We are pleased to report that your Company has earned net profit of Rs. 143.757 million after addition of profit of associated companies and before taxation. The actual profit before these adjustments for year ended 30th June, 2011 amounts to Rs.89.362 million as compared to profit of Rs.40.386 million of year 2010.

The net sales of the company Rs. 569.195 million (2010: Rs.415.428 million (increase of 37%)). The cost of sales amounted to Rs. 391.727 million (2010: Rs.302.101 million) Increase of Rs.153.767 (37%) comprises Rs.62.722 (m) for quantative sales caused due to higher lifting by dealers under the apprehension of 17% sales tax imposition and Rs.92.252 (m) due to timely revision of sale prices to cover raw material and other input increase.

Operating profit after finance cost for year under report was Rs. 89.362 million (2010: Rs.40.386 million). However cost of sales has increased by Rs. 89.625 million (29.67%) which comprises Rs.8.073 (m) increase in salary wages & benefits and increase of Rs. 43.341 (m) in prices of imported wool & yarn, Rs. 3.196 in repair / maintenance, Rs. 9.518(m) in power & fuel , Rs. 0.284 (m) in dyes / chemicals, Rs. 0.366 (m) in depreciation, and Rs. 24.567 (m) inventory adjustment.

The best efforts of senior management of the Company, overall control reduction in raw material cost by changing the blend and by introducing the new products. The gross profit for the year under review i.e. 2011 is 31.18% of net sales (2010 gross profit was 27.28% of net sales).

FINANCIAL RESULTS

Financial results for the year ended 30th June, 2011 as compared to the year ended 30th June, 2010 are summarized as under:

	Year ended 30th June, 2011 (Rs. Million)	Year ended 30th June, 2010 (Rs. Million)
Sales	**569.195**	415.428
Cost of sales	**391.726**	302.101
Gross profit	**177.469**	113.327
Distribution Cost	**23.039**	16.951
Administrative Expenses	**48.191**	45.037
Others operating expenses	**9.219**	3.765
Other operating income	**(1.647)**	(3.429)
	78.802	62.324
PROFIT FROM OPERATIONS	**98.667**	51.003
Financial cost	**9.305**	10.617
	89.362	40.386
Share of Profit of Associated Companies - Net	**54.395**	38.341
Impairment Loss on Investments in Associated Companies Reversed / (Provided for)	**0**	15.541
	54.395	53.882
Profit / (Loss) before taxation	**143.757**	94.268
Taxation		
- current	**5.697**	2.080
- Prior Years	**0**	1.165
- deferred	**(6.877)**	3.670
	(1.180)	6.915
Profit (Loss) after taxation	**144.937**	87.353
Basic earnings (loss) per share	**19.06**	11.49

OPERATING PERFORMANCE:
With the installed capacity of 3,346 woollen spindles and 46 shuttleless looms (2010, capacity was 3,346 spindles and 46 shuttleless looms), the Company has produced 1,380,750 kgs of 5 Nm of count yarn and 1,837,063 metres cloth based on 30 picks in year 2011 as compared to 1,467,874 kgs of 5 Nm count yarn and 1,879,032 metres cloth based on 30 picks for the year ended 30th June, 2010. Production efficiency decreased by 41,969 metres (2.23 %) as compared to year 2010 lesser working days because of heavy floods & power outages.

COMPLAINCE WITH THE CODE OF CORPORATE GOVERNANCE.
As required under the Code of Corporate Governance the Directors are pleased to confirm that:

1 The financial statements, prepared by the management of Bannu Woollen Mills Ltd; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2 Appropriate accounting policies have been consistently applied for the year ended 30-06-2011 and accounting estimates are based on reasonable and prudent judgment.

3 Proper books of account of Bannu Woollen Mills Limited have been maintained.
4 International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
5 The system of internal controls is sound in design and has been effectively implemented and monitored.
6 There are no doubts upon Bannu Woollen Mills Limited's ability to continue as a going Concern.
7 There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8 There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June 2011, except for those disclosed in the financial statements.
9 The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.

10 No trades in the shares of Bannu Woollen Mills Limited were carried out by the Directors, CEO, DFO, Company Secretary and their spoused and minor children during the year ended 30th June 2011.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTCES ON TRANSFER PRICING

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

BOARD AUDIT COMMITTEE

The new Board of Directors elected on 26th March, 2011 in compliance with the Code of Corporate governance has established a Board Audit Committee:-

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

Board Audit Committee was established by the Board in its meeting held on 2nd April, 2011, to assist the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Board Committee consists of three members including the Chairman of the Committee. Majority of the members of the committee are non-executive directors.

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

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

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

The Board is pleased to report further that Bannu Woollen Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on 30th June 2011.

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)
Key operating and financial data of last six years is enclosed.

PATTERN OF SHAREHOLDING
The statement of pattern of shareholding of the company as on 30th June 2011 is enclosed. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of Companies Ordinance 1984 read with Companies (Amendment) Ordinance 2002.
.
DIVIDEND
We are pleased to inform you that your directors in their meeting held on 2nd October 2011 have decided to recommend payment of Cash Dividend @ 50% i.e. Rs.5/- per share which is subject to your approval in the Annual General Meeting.

APPOINTMENT OF AUDITORS

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

ACKNOWLEDGEMENT

We would like to place on record our strong appreciation for the efforts of the Senior Executives, Officers & others staff members and workers for their hard work, cooperation & sincerity to the Company in achieving remarkable results.

For & on behalf of Board of Directors

Raza Kuli Khan

RAZA KULI KHAN KHATTAK
Chairman

Dated: 03 October, 2011

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

(Rupees in Million)

PARTICULARS	2011	2010	2009	2008	2007	2006
SALES (Net)	569.195	415.428	391.280	319.692	284.422	278.247
GROSS PROFIT	177.469	113.327	96.011	78.314	74.056	75.214
OPERATING PROFIT	98.667	51.003	45.299	48.855	45.584	50.322
PROFIT /(LOSS)						
BEFORE TAXATION	143.757	94.268	9.709	43.669	41.698	38.193
PROVISION FOR TAXATION	(1.180)	6.915	14.976	16.211	15.035	21.199
PROFIT /(LOSS)						
AFTER TAXATION	144.937	87.353	(5.267)	27.458	26.663	16.994
CASH DIVIDEND	50%	20%	-	-	☆ 50%	-
EARNING (LOSS) PER SHARE	19.06	11.49	(0.69)	3.61	5.26	3.35
BREAK UP VALUE PER SHARE	72.68	54.54	41.09	41.25	55.62	49.04
TOTAL ASSETS	1,410.378	914.562	801.915	713.499	668.981	619.121
CURRENT LIABILITIES	163.298	162.183	165.464	88.445	73.353	54.332
	1,247.080	752.379	636.451	625.054	595.628	564.789
REPRESENTED BY:						
SHARE CAPITAL	818.617	516.222	416.137	419.627	390.440	362.377
RESERVES	303.190	137.400	137.400	137.400	137.400	137.400
EQUITY	1,121.807	653.622	553.537	557.027	527.840	499.777
DEFERRED LIABILITIES	125.273	98.757	82.914	68.027	67.788	65.012
	1,247.080	752.379	636.451	625.054	595.628	564.789

☆ Bonus Shares

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

PATTERN OF SHAREHOLDING

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

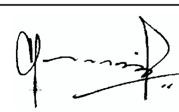
2. Name of the Company: BANNU WOOLLEN MIILS LIMITED

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

4. No of shareholders	Shareholdings	Total shares held
223	shareholding from 1 to 100 shares	9,263
230	shareholding from 101 to 500 shares	70,559
148	shareholding from 501 to 1000 shares	121,437
246	shareholding from 1,001 to 5,000	568,787
48	shareholding from 5,001 to 10,000	354,484
18	shareholding from 10,001 to 15,000	221,690
08	shareholding from 15,001 to 20,000	150,664
08	shareholding from 20,001 to 25,000	186,020
5	shareholding from 25,001 to 30,000	137,817
5	shareholding from 30,001 to 35,000	157,971
2	shareholding from 35,001 to 40,000	71,329
3	shareholding from 40,001 to 45,000	126,818
2	shareholding from 45,001 to 50,000	90,473
2	shareholding from 50,001 to 55,000	102,397
3	shareholding from 55,001 to 60,000	174,843
1	shareholding from 60,001 to 65,000	60,078
1	shareholding from 65,001 to 70,000	66,541
2	shareholding from 70,001 to 75,000	144,599
1	shareholding from 75,001 to 80,000	76,050
2	shareholding from 80,001 to 85,000	165,991
1	shareholding from 95,001 to 100,000	98,655
1	shareholding from 105,001 to 110,000	107,000
1	shareholding from 140,001 to 145,000	145,000
1	shareholding from 155,001 to 160,000	156,777
1	shareholding from 190,001 to 195,000	190,840
1	shareholding from 265,001 to 270,000	270,000
1	shareholding from 370,001 to 375,000	374,490
1	shareholding from 585,001 to 590,000	585,301
1	shareholding from 620,001 to 625,000	622,956
1	shareholding from 1,995,001 to 2,000,000	1,996,170
968	Total	7,605,000

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	842,025	11.07
5.2. Associated Companies, undertakings and related parties.	2,588,623	34.04
5.3 NIT and ICP	41,894	0.55
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	191,850	2.52
5.5 Insurance Companies	622,956	8.19
5.6 Modarabas and Mutual Funds	374,490	4.92
5.7 Share holders holding 10%		
Bibojee Services (Pvt.) Ltd	1,996,170	26.25
5.8 General Public		
a. Local	2,926,138	38.48
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	14,875	0.20
Trust	2,128	0.03
Karachi Stock Exchange (G) Ltd.	21	0.00

6. Signature of Chief Executive/ Secretary



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

8. Designation: Company Secretary & Sr. General Manager Corporate Affairs

9. NIC Number: 1 4 3 0 1 - 4 5 7 5 7 6 4 - 3

10. Date:

Day	Month	Year
3 0	0 6	2 0 1 1

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

CATEGORIES OF SHAREHOLDERS			SHARES HELD
1.	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES:		
	M/S JANANA DE MALUCHO TEXTILE MILLS LTD,		585,301
	M/S.BIBOJEE SERVICES (PVT) LTD.		1,996,170
	M/S UNIVERSAL INSURANCE CO. LTD,		7,152
2.	N.I.T. & I.C.P:		
	M/S.INVESTMENT CORPORATION OF PAKISTAN		750
	M/S.NATIONAL INVESTMENT TRUST LIMITED		41,144
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:		
	MR.RAZA KULI KHAN KHATTAK,	Chairman	45,259
	MRS.SHAHIDA KHATOON W/O MR. RAZA KULI KHAN KHATTAK		50,700
	LT.GEN. (RETD) ALI KULI KHAN KHATTAK	Director	43,261
	MRS.NELOFAR ALI KULI KHAN W/O LT.GEN. (RETD) ALI KULI KHAN KHATTAK		76,050
	MR.AHMED KULI KHAN KHATTAK	Director	45,214
	MRS.NASREEN AHMED KULI KHAN W/O MR.AHMED KULI KHAN KHATTAK		80,991
	MR.MUSHTAQ AHMED KHAN (FCA)	Director	*270,000
	MRS.SAEEDA MUSHTAQ W/O MR. MUSHTAQ AHMAD KHAN, FCA		15,750
	MRS.ZEB GOHAR AYUB	Director	26,997
	MRS.SHAHNAZ SAJJAD AHMED	Director	89,148
	DR. SHAHEEN KULI KHAN	Director	98,655
	MR.MANZOOR AHMAD SHEIKH (NIT)	Director	NIL
	MR.SHER ALI KHAN (SLIC)	Director	NIL
4.	EXECUTIVES		35,610
5.	JOINT STOCK COMPANIES		14,875
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		1,189,296
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S.BIBOJEE SERVICES (PVT) LTD.		1,996,170
8.	GENERAL PUBLIC & OTHERS		2,892,677

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

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

Name of Company BANNU WOOLLEN MILLS LIMITED
Year Ended 30TH JUNE 2011

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes seven independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, and none of then is member of Stock Exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June 2011.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. Their were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June 2011.

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

Signature	Shahnaz Sajjad Ahmad
(Name in block letters)	MRS. SHAHNAZ SAJJAD AHMAD (Chief Executive)
CNIC Number	17301-1363131-2

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2011.

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

LAHORE; 03 October, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BANNU WOOLLEN MILLS LIMITED** as at 30 June, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

LAHORE: 03 October, 2011

BALANCE SHEET AS AT 30 JUNE, 2011

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
10,000,000 ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital	7	76,050	76,050
Reserves	8	303,190	137,400
Unappropriated profit		173,460	201,304
		552,700	414,754
Surplus on Revaluation of Property, Plant and Equipment	9	569,107	238,868
Non-current Liabilities			
Liabilities against assets subject to finance lease	10	0	238
Staff retirement benefits - gratuity	11	47,985	33,514
Deferred taxation	12	77,288	65,005
		125,273	98,757
Current Liabilities			
Current portion of liabilities against assets subject to finance lease	10	239	1,536
Trade and other payables	13	54,887	65,416
Short term finances	14	99,666	92,422
Taxation	15	8,506	2,809
		163,298	162,183
Contingencies and Commitments	16		
		1,410,378	914,562

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Assets			
Non-current Assets			
Property, plant and equipment			
Operating fixed assets	17	803,062	461,878
Capital work-in-progress	18	1,740	2,294
		804,802	464,172
Investments in Associated Companies	19	152,782	92,812
Security deposits		2,809	2,809
		960,393	559,793
Current Assets			
Stores and spares	20	31,042	21,279
Stock-in-trade	21	323,893	265,674
Trade debts	22	56,386	40,981
Advances to employees - unsecured considered good		677	608
Advance payments		121	17
Trade deposits and prepayments	23	3,514	1,169
Accrued mark-up	24	73	284
Mark-up subsidy receivable	25	767	0
Sales tax refundable		11,427	6,410
Income tax refundable, advance tax and tax deducted at source		20,686	16,373
Cash and bank balances	26	1,399	1,974
		449,985	354,769
		1,410,378	914,562

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

Shahnaz Sajjad Ahmad
Chief Executive

Mushtaq Ahmad Khan, FCA
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	27	**569,195**	415,428
Cost of Sales	28	**391,726**	302,101
Gross Profit		**177,469**	113,327
Distribution Cost	29	**23,039**	16,951
Administrative Expenses	30	**48,191**	45,037
Other Operating Expenses	31	**9,219**	3,765
Other Operating Income	32	**(1,647)**	(3,429)
		78,802	62,324
Profit from Operations		**98,667**	51,003
Finance Cost	33	**9,305**	10,617
		89,362	40,386
Share of Profit of Associated Companies	19	**54,395**	38,341
Impairment Loss on Investments in Associated Companies reversed		**0**	15,541
		54,395	53,882
Profit before Taxation		**143,757**	94,268
Taxation			
- Current	15	**5,697**	2,080
- Prior years'	15	**0**	1,165
- Deferred	12	**(6,877)**	3,670
		(1,180)	6,915
Profit after Taxation		**144,937**	87,353
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**144,937**	87,353
		------- Rupees -------	
Earnings per Share	34	**19.06**	11.49

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

Shahnaz Sajjad Ahmad
Shahnaz Sajjad Ahmad
Chief Executive

Mushtaq Ahmed Khan
Mushtaq Ahmad Khan, FCA
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2011

	2011	2010
	(Rupees in thousand)	
Cash flow from operating activities		
Profit for the year - before taxation and share of profit and impairment loss on investments in Associated Companies	**89,362**	40,386
Adjustments for non-cash and other charges:		
Depreciation	**15,572**	15,244
Unclaimed balances written-back	**(118)**	(778)
Obsolete computers written-off	**0**	11
Provision against slow moving stores and spares	**500**	0
Gain on disposal of operating fixed assets	**(205)**	(457)
Staff retirement benefits - gratuity (net)	**14,471**	13,724
Mark-up on bank deposits, dealers' and Associated Companies' balances	**(798)**	(1,511)
Finance cost	**9,305**	10,617
Workers' welfare fund	**1,871**	491
Profit before working capital changes	**129,960**	77,727
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(10,263)**	(975)
Stock-in-trade	**(58,219)**	(63,402)
Trade debts	**(15,405)**	9,125
Advances to employees	**(69)**	(411)
Advance payments	**(104)**	473
Trade deposits and prepayments	**(2,345)**	(716)
Due from Associated Companies	**0**	5,959
Mark-up subsidy receivable	**597**	0
Sales tax refundable	**(5,017)**	(2,398)
(Decrease) / increase in trade and other payables	**(12,513)**	19,920
	(103,338)	(32,425)
Cash generated from operations	**26,622**	45,302
Taxes paid	**(4,313)**	(8,879)
Security deposits	**0**	(2,533)
Net cash generated from operating activities	**22,309**	33,890
Cash flow from investing activities		
Fixed capital expenditure	**(5,849)**	(5,581)
Sale proceeds of operating fixed assets	**1,895**	666
Mark-up received on bank deposits, dealers' and Associated Companies' balances	**1,009**	1,413
Net cash used in investing activities	**(2,945)**	(3,502)
Cash flow from financing activities		
Short term finances - net	**7,244**	(16,992)
Lease finances - net	**(1,535)**	(1,570)
Dividend paid	**(14,979)**	0
Finance cost paid	**(10,669)**	(10,617)
Net cash used in financing activities	**(19,939)**	(29,179)
Net (decrease) / increase in cash and cash equivalents	**(575)**	1,209
Cash and cash equivalents - at beginning of the year	**1,974**	765
Cash and cash equivalents - at end of the year	**1,399**	1,974

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

Shahnaz Sajjad Ahmad

Shahnaz Sajjad Ahmad
Chief Executive

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2011

	Share capital	Reserves			Unappr-opriated profit	Total
		Capital	Revenue	Sub-total		
		Share premium	General			
	-----	-----	Rupees in thousand	-----	-----	-----
Balance as at 30 June, 2009	76,050	19,445	117,955	137,400	99,060	312,510
Total comprehensive income for the year	0	0	0	0	87,353	87,353
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	2,159	2,159
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	12,732	12,732
Balance as at 30 June, 2010	76,050	19,445	117,955	137,400	201,304	414,754
Transfer to general reserve	0	0	165,790	165,790	(165,790)	0
Transaction with owners						
Final dividend for the year ended 30 June, 2010 @ Rs. 2 per share	0	0	0	0	(15,210)	(15,210)
Total comprehensive income for the year	0	0	0	0	144,937	144,937
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	2,644	2,644
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	5,575	5,575
Balance as at 30 June, 2011	**76,050**	**19,445**	**283,745**	**303,190**	**173,460**	**552,700**

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

Shahnaz Sajjad Ahmad

Shahnaz Sajjad Ahmad
Chief Executive

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and presentation currency

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underline assumptions are disclosed in note 11.

b) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Company reviews appropriateness of the useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

d) Stores & spares and stock-in-trade

The Company reviews 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 the sales.

e) 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.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 Amendments to published standards that are effective in current financial year and are relevant to the Company

The following amendments to published standards are mandatory for the financial year beginning 01 July, 2010:

(a) IAS 1 (Amendment), 'Presentation of Financial Statements' is effective from 01 July, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

(b) IAS 7 (Amendment), 'Statement of Cash Flows' is effective from 01 July, 2010. The amendment provides clarification that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

(c) IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of lease of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, lease of land should be classified as either finance or operating, using the general principles of IAS 17. There is no effect of this amendment on the Company's financial statements.

(d) IFRS 8 (Amendment), 'Operating Segments'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore the amendment will have no effect on the Company’s financial statements.

5.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

The other new standards, amendments to existing approved accounting standards and interpretations are mandatory for the periods beginning on or after 01 July, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company’s current financial reporting and operations; however, these may affect the accounting for future transactions and events.

5.3 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following new standards, amendments to existing approved accounting standards and interpretations are not effective for the periods beginning on or after 01 July, 2010 and have not been early adopted by the Company:

(a) IFRS 7 (Amendment), ‘Financial Instruments: Disclosures’ (effective for the periods beginning on or after 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with a financial instrument. The amendment will only affect the disclosures in the Company’s financial statements.

(b) IFRS 9, ‘Financial Instruments’, issued in November 2009. This standard is the first step in the process to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company’s accounting for its financial assets. The standard is not applicable until 01 July, 2013 but is available for early adoption.

(c) IAS 1 (Amendment), ‘Presentation of Financial Statements’ (effective for the periods beginning on or after 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will only affect the disclosures in the Company’s financial statements.

(d) IAS 24 (Revised), ‘Related Party Disclosures’ (effective for the periods beginning on or after 01 January, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will be required to disclose transactions with its associates. At this stage it is not possible to assess the impact, if any, of the revised standard on the related party disclosures in the Company’s financial statements.

(e) IAS 34 (Amendment), ‘Interim Financial Reporting’ (effective for periods beginning on or after 01 January, 2011). This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Company's condensed interim financial information.

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Borrowings and borrowing costs

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

6.2 Staff retirement benefits - gratuity

The Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2011 on the basis of projected unit credit method by an independent Actuary.

6.3 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

(b) Deferred

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.4 Trade and other payables

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

6.5 Provisions

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

6.6 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. All expenditure connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

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

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

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

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

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

6.7 Assets subject to finance lease

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

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

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

6.8 Investments in Associated Companies

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

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

6.9 Stores and spares

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

6.10 Stock-in-trade

Basis of valuation are as follows:

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

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

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

6.11 Trade debts and other receivables

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

6.12 Cash and cash equivalents

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

6.13 Revenue recognition

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

- sales are recorded on dispatch of goods.
- return on deposits is accounted for on 'accrual basis'.
- dividend income is recognised when the right of receipt is established.

6.14 Impairment loss

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

6.15 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

6.16 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include security deposits, trade debts, accrued mark-up, mark-up subsidy receivable, bank balances, lease finances, borrowings and trade & other payables. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.17 Off-setting of financial assets and liabilities

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

6.18 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 40 to these financial statements.

6.19 Dividend and appropriation to reserves

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

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		**2011**	2010
---- Numbers ----			**(Rupees in thousand)**	
2,259,375	2,259,375	Ordinary shares of Rs.10 each fully paid in cash	**22,594**	22,594
5,345,625	5,345,625	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**53,456**	53,456
7,605,000	7,605,000		**76,050**	76,050

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

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

8. RESERVES

	2011	2010
	(Rupees in thousand)	
Capital		
Share premium reserve:		
859,375 shares @ Rs.7.50 per share issued during the financial year 1991-92	**6,445**	6,445
650,000 right shares @ Rs.20.00 per share issued during the financial year 1993-94	**13,000**	13,000
	19,445	19,445
Revenue - General reserve	**283,745**	117,955
	303,190	137,400

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

9.1 Freehold land, buildings on freehold land and plant & machinery were earlier revalued during the years 1978, 1999 and 2004. These revaluation exercises were carried-out by independent Valuers on the basis of market value / depreciated market values.

9.2 The Company as at 20 February, 2011, has again revalued its freehold land, buildings on freehold land and plant & machinery. The revaluation exercise has been carried-out by Hamid Mukhtar & Co. (Pvt.) Ltd. (Independent Consulting Engineers, Surveyors & Loss Adjustors, Valuation Consultants, Lahore). Freehold land has been revalued on the basis of current market value whereas buildings on freehold land and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.352.043 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2011	2010
	(Rupees in thousand)	
Opening balance	**260,956**	264,278
Add: surplus on revaluation carried-out during the year	**352,043**	0
Less: transferred to unappropriated profit on account of incremental depreciation for the year	**(4,068)**	(3,322)
	608,931	260,956
Less: deferred tax on:		
- opening balance of surplus	**22,088**	23,251
- surplus on revaluation carried-out during the year	**19,160**	0
- incremental depreciation for the year	**(1,424)**	(1,163)
	39,824	22,088
Closing balance	**569,107**	238,868

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- Secured

Particulars	**2011**			2010		
	Upto one year	**From one to five years**	**Total**	Upto one year	From one to five years	Total
	---------------------- Rupees in thousand----------------------					
Minimum lease payments	**248**	**0**	**248**	2,040	246	2,286
Less: finance cost allocated to future periods	**9**	**0**	**9**	187	8	195
	239	**0**	**239**	1,853	238	2,091
Less: security deposits adjustable on expiry of lease terms	**0**	**0**	**0**	317	0	317
Present value of minimum lease payments	**239**	**0**	**239**	1,536	238	1,774

The Company has entered into lease agreements with First Habib Modaraba (FHM) and ORIX Leasing Pakistan Ltd. (Orix) for lease of vehicles. The Company, during the year, has fully repaid the outstanding rentals of lease finance facility availed from Orix and also exercised its option to purchase the leased vehicle. The outstanding balance of lease finance facility availed from FHM is repayable in 4 monthly instalments ending October, 2011. These finance facilities, during the year, were subject to finance cost at the rates ranging from 16.36% to 19.14% (2010: 16.44% to 18.26%) per annum. The facility available from FHM is secured against title of the leased vehicle in the name of lessor. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term.

11. STAFF RETIREMENT BENEFITS - Gratuity

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

	2011	2010
- discount rate	**14%**	12%
- expected rate of growth per annum in future salaries	**13%**	11%
- average expected remaining working life time of employees	**11 years**	11 years

The amount recognised in the balance sheet is as follows:	**(Rupees in thousand)**	
Present value of defined benefit obligation	**72,958**	42,059
Unrecognised actuarial loss	**(24,973)**	(8,545)
Net liability at end of the year	**47,985**	33,514
Net liability at beginning of the year	**33,514**	19,790
Charge to profit and loss account	**17,088**	25,597
Payments made during the year	**(2,617)**	(11,873)
Net liability at end of the year	**47,985**	33,514
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**42,059**	31,474
Current service cost	**11,646**	9,519
Interest cost	**5,047**	3,777
Past service cost - vested benefits	**0**	11,525
Benefits paid	**(2,617)**	(11,873)
Actuarial loss / (gain)	**16,823**	(2,363)
Closing balance	**72,958**	42,059
Expense recognised in profit and loss:		
Current service cost	**11,646**	9,519
Interest cost	**5,047**	3,777
Past service cost	**0**	11,525
Actuarial loss recognised	**395**	776
Charge for the year	**17,088**	25,597

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

	2011	2010	2009	2008	2007
	---------------- Rupees in thousand ----------------				
Present value of defined benefit obligation	**72,958**	42,059	31,474	15,214	15,333
Experience adjustment on obligation	**16,823**	(2,363)	8,163	0	0

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

12. DEFERRED TAXATION - Net

	Note	2011	2010
		(Rupees in thousand)	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowance		**45,252**	44,671
- surplus on revaluation of property, plant & equipment		**39,824**	22,088
- lease finances		**339**	501
		85,415	67,260
Deductible temporary difference arising in respect of:			
- minimum tax recoverable against normal tax charge in future years		**(7,777)**	(2,080)
- provision against slow moving stores and spares		**(350)**	(175)
		(8,127)	(2,255)
		77,288	65,005

13. TRADE AND OTHER PAYABLES

	Note	2011	2010
Creditors		**10,159**	11,975
Bills payable against imported raw materials - secured		**8,658**	32,172
Advances from customers		**6,447**	2,413
Security deposits - interest free, repayable on demand		**2,000**	1,800
Accrued expenses		**12,686**	9,256
Workers' (profit) participation fund	13.1	**5,131**	2,422
Waqf-e-Kuli Khan		**5,392**	3,070
Income tax deducted at source		**55**	65
Workers' welfare fund		**2,714**	843
Unclaimed dividends		**1,579**	1,348
Others		**66**	52
		54,887	65,416

13.1 Workers' (profit) participation fund

	2011	2010
Opening balance	**2,422**	2,349
Add: interest on funds utilised in the Company's business	**76**	99
	2,498	2,448
Less: payments made to during the year	**2,291**	2,245
	207	203
Add: allocation for the year	**4,924**	2,219
	5,131	2,422

14. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.220 million (2010: Rs.180 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 14.37% to 15.74% (2010: 14.41% to 14.85%) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.100 million (2010: Rs.80 million) out of which the amount remained unutilized at the year-end was Rs. 81.27 million. The aggregate facilities are secured against pledge of stock-in-trade, lien on import documents and first charge on current and fixed assets of the Company.

These facilities are available upto 30 September, 2011.

15. TAXATION - Net

	Note	2011	2010
		(Rupees in thousand)	
Opening balance		**2,809**	8,235
Add: provision made during the year for :			
- current year	15.2	**5,697**	2,080
- prior years		**0**	1,165
		5,697	3,245
		8,506	11,480
Less: adjustments against completed assessment		**0**	8,671
		8,506	2,809

15.1 Income tax assessments of the Company, except as detailed in note 15.3 and 15.4, have been completed upto the Tax Year 2010; the return for the said year has not been taken-up for audit till 30 June, 2011.

15.2 Provision for the current and preceding years represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). Due to location in the most affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Ordinance started from the Tax Year 2010.

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

15.4 The Income Tax Department (the Department) had issued amended assessment order under section 122(5A) of the Ordinance for Tax Year 2004 raising tax demand amounting Rs.1.781 million against which Reference had been filed with the Lahore High Court, which is pending adjudication. However, the Department during preceding financial year, had issued a rectification order creating net demand of Rs.775 thousand, which was provided for in the books of account.

16. CONTINGENCIES AND COMMITMENTS

16.1 Refer contents of note 15.3.

16.2 Commitments against irrevocable letters of credit for raw materials and spare parts outstanding as at 30 June, 2011 were Rs.10,068 thousand (2010: Rs.15,211 thousand).

17. OPERATING FIXED ASSETS

	Owned													Leased	
	Freehold Land	Buildings on freehold land: Factory	Buildings on freehold land: Residential	Buildings on freehold land: Others	Plant & machinery	Weighment and material handling equipment	Tools and Equipment	Furniture and fixtures	Electric fittings	Office equipment	Computers and TV.	Vehicles	Arms	Vehicles	Total
	Rupees in thousand														
As at 30 June, 2009															
Cost / revaluation	198,000	24,892	7,514	17,854	387,111	464	15	590	5,801	385	962	13,504	60	8,326	665,478
Accumulated depreciation	0	12,816	3,797	5,617	187,436	351	12	335	2,016	267	853	8,074	38	2,991	224,603
Book value	198,000	12,076	3,717	12,237	199,675	113	3	255	3,785	118	109	5,430	22	5,335	440,875
Year ended 30 June, 2010:															
Additions	0	1,336	0	25	35,079	0	0	0	0	0	27	0	0	0	36,467
Transfers from leased to owned:															
Cost	0	0	0	0	0	0	0	0	0	0	0	2,393	0	(2,393)	0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	(1,132)	0	1,132	0
Disposals:															
Cost	0	0	0	0	0	0	0	0	0	0	(401)	(1,539)	0	0	(1,940)
Depreciation	0	0	0	0	0	0	0	0	0	0	390	1,330	0	0	1,720
Depreciation for the year	0	653	186	612	11,418	6	0	13	189	6	35	1,257	1	868	15,244
Book value	198,000	12,759	3,531	11,650	223,336	107	3	242	3,596	112	90	5,225	21	3,206	461,878
Year ended 30 June, 2011:															
Additions	0	0	0	0	891	0	0	0	86	0	241	4,668	517	0	6,403
Revaluation adjustments:															
Cost / revaluation	297,300	7,229	3,835	0	0	0	0	0	0	0	0	0	0	0	308,364
Depreciation	0	13,894	4,100	3,811	21,874	0	0	0	0	0	0	0	0	0	43,679
Transfers from leased to owned:															
Cost	0	0	0	0	0	0	0	0	0	0	0	3,318	0	(3,318)	0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	(1,959)	0	1,959	0
Disposals:															
Cost	0	0	0	0	0	0	0	0	0	0	0	(3,700)	0	0	(3,700)
Depreciation	0	0	0	0	0	0	0	0	0	0	0	2,010	0	0	2,010
Depreciation for the year	0	983	307	639	11,451	5	1	12	182	6	39	1,294	12	641	15,572
Book value	495,300	32,899	11,159	14,822	234,650	102	2	230	3,500	106	292	8,268	526	1,206	803,062
As at 30 June, 2010															
Cost / revaluation	198,000	26,228	7,514	17,879	422,190	464	15	590	5,801	385	588	14,358	60	5,933	700,005
Accumulated depreciation	0	13,469	3,983	6,229	198,854	357	12	348	2,205	273	498	9,133	39	2,727	238,127
Book value	198,000	12,759	3,531	11,650	223,336	107	3	242	3,596	112	90	5,225	21	3,206	461,878
As at 30 June, 2011															
Cost / Revaluation	495,300	33,457	11,349	17,879	423,081	464	15	590	5,887	385	829	18,644	577	2,615	1,011,072
Accumulated depreciation	0	558	190	3,057	188,431	362	13	360	2,387	279	537	10,376	51	1,409	208,010
Book value	495,300	32,899	11,159	14,822	234,650	102	2	230	3,500	106	292	8,268	526	1,206	803,062
Depreciation rate (%)		5	5	5	5	5	5	5	5	5	30	20	5	20	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

17.1 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 9.2, has been determined as follows:

Particulars	Freehold land	Buildings on freehold land			Plant & machinery	Total
		Factory	Residential	Others		
	---------- Rupees in thousand ----------					
Cost / revaluation as at 20 February, 2011	198,000	26,227	7,515	17,879	423,081	672,702
Accumulated depreciation to 20 February, 2011	0	13,894	4,100	6,618	206,328	230,940
Book value before revaluation adjustments as at 20 February, 2011	198,000	12,333	3,415	11,261	216,753	441,762
Revalued amounts	495,300	33,456	11,350	15,072	238,627	793,805
Revaluation surplus	**297,300**	**21,123**	**7,935**	**3,811**	**21,874**	**352,043**
	297,300	**21,123**	**7,935**	**3,811**	**21,874**	**352,043**
Check	**0**	**0**	**0**	**0**	**0**	**0**

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

	2011	2010
	(Rupees in thousand)	
Freehold land	**152**	152
Buildings on freehold land	**10,592**	11,133
Plant & machinery	**169,153**	177,034

17.3 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiations to:
	---- Rupees in thousand ----					
Stavic Jeep	2,503	1,222	1,281	1,400	119	Janana De Malucho Textile Mills Limited, Habibabad, Kohat. (an Associated Company)
Nissan Sunny	1,197	788	409	495	86	Mr. Hamyun Rasheed, Civil Line, Khanewal.
	3,700	**2,010**	**1,690**	**1,895**	**205**	

17.4 Depreciation for the year has been apportioned as under:	**2011**	2010
	(Rupees in thousand)	
Cost of sales	**12,633**	12,267
Administrative expenses	**2,939**	2,977
	15,572	15,244

18. CAPITAL WORK-IN-PROGRESS	**2011**	2010
	(Rupees in thousand)	
Buildings on freehold land - factory	**90**	0
Plant and machinery	**1,650**	824
Advance payment for purchase of a vehicle	**0**	1,470
	1,740	2,294

19. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

Babri Cotton Mills Ltd. (BCM)		
144,421 (2010: 125,584) ordinary shares of Rs.10 each including 18,837 (2010: Nil) bonus shares - **cost** Equity held: 3.95% (2010: 4.34%)	**1,632**	1,632
Post acquisition profit brought forward including effect of items directly credited in equity by BCM	**4,008**	(284)
Profit for the year - net of taxation	**4,847**	3,926
	10,487	5,274
Janana De Malucho Textile Mills Ltd. (JDM)		
1,559,230 (2010:1,559,230) ordinary shares of Rs.10 - **cost** Equity held: 32.59% (2010: 36.21%)	**27,762**	27,762
Post acquisition profit brought forward including effect of items directly credited in equity by JDM	**64,985**	25,361
Profit for the year - net of taxation	**49,548**	34,415
	142,295	87,538
	152,782	92,812

19.1 Market values of the Company's investment in BCM and JDM as at 30 June, 2011 were Rs.2.311 million (2010: Rs.1.644 million) and Rs.21.954 million (2010: Rs.22.375 million) respectively.

19.2 Summarised financial information of BCM, based on the audited financial statements for the year ended 30 June, 2011, is as follows:

	Note	2011	2010
		(Rupees in thousand)	
- equity as at 30 June,		**265,191**	133,425
- total assets as at 30 June,		**1,502,375**	1,377,411
- total liabilities as at 30 June,		**797,621**	799,418
- revenue for the year ended 30 June,		**1,705,170**	1,195,591
- profit before taxation for the year ended 30 June,		**131,960**	154,897
- profit after taxation for the year ended 30 June,		**122,571**	102,343

19.3 Summarised financial information of JDM, based on the audited financial statements for the year ended 30 June, 2011, is as follows:

- equity as at 30 June,		**437,831**	263,337
- total assets as at 30 June,		**2,725,271**	2,444,962
- total liabilities as at 30 June,		**1,273,397**	1,153,187
- revenue for the year ended 30 June,		**2,134,841**	1,454,537
- profit before taxation for the year ended 30 June,		**111,058**	174,411
- profit after taxation for the year ended 30 June,		**152,048**	116,642

20. STORES AND SPARES

	Note	2011	2010
Stores		**12,556**	7,489
Spares		**19,486**	14,290
	20.1	**32,042**	21,779
Less: provision for slow moving stores and spares	**20.3**	**1,000**	500
		31,042	21,279

20.1 Inventory valuing Rs.2,429 thousand was in transit as at 30 June, 2011 (2010: Rs 783 thousand)

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

20.3 Provision for slow moving stores and spares

	2011	2010
Balance as at 01 July,	**500**	500
Add: provision made during the year	**500**	0
Balance as at 30 June,	**1,000**	500

	Note	2011	2010
		(Rupees in thousand)	
21. STOCK-IN-TRADE			
Raw materials:			
- at warehouse	21.1	**143,032**	106,675
- in transit		**35,707**	29,632
		178,739	136,307
Work-in-process		**29,503**	23,352
Finished goods		**115,651**	106,015
		323,893	265,674

21.1 Raw material stocks valuing Rs.83.379 million were pledged with National Bank of Pakistan as at 30 June, 2011 as security for short term finance facilities (note 14).

22. TRADE DEBTS - Unsecured - Considered good

Mark-up has been charged on the balances due after normal credit term and grace period at the rates applicable on short term finances as disclosed in note 14.

23. TRADE DEPOSITS AND PREPAYMENTS	Note	2011	2010
		(Rupees in thousand)	
Security deposits		**2,397**	972
Prepayments		**98**	13
Letters of credit		**1,019**	184
		3,514	1,169

24. ACCRUED MARK-UP

This represents mark-up receivable from Janana De Malucho Textile Mills Ltd. (an Associated Company).

25. MARK-UP SUBSIDY RECEIVABLE

The Federal Government as on 31 August, 2010 has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA / PATA / Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, is eligible to avail mark-up rate differential on short term finances outstanding as at 31 December, 2009. The mark-up subsidy received / receivable during the year has been recognised by adjusting the relevant expense (note 33).

	Note	2011	2010
		(Rupees in thousand)	
26. CASH AND BANK BALANCES			
Cash-in-hand		**228**	323
Cash at banks on:			
- current accounts		**102**	1,421
- dividend accounts		**736**	179
- PLS accounts	**26.1**	**333**	51
		1,171	1,651
		1,399	1,974

26.1 These carry profit at the rate of 5% (2010: 5%) per annum.

	Note	2011	2010
27. SALES - Net			
Fabrics and blankets		**569,846**	415,881
Waste		**1,554**	1,240
		571,400	417,121
Less:			
- trade discount		**1,814**	1,693
- sales tax		**391**	0
		2,205	1,693
		569,195	415,428
28. COST OF SALES			
Raw materials consumed	**28.1**	**243,239**	199,897
Salaries, wages and benefits	**28.2**	**69,734**	61,661
Power and fuel		**52,613**	43,095
Stores consumed		**15,072**	14,788
Repair and maintenance		**12,220**	9,024
Depreciation		**12,633**	12,267
Insurance		**1,624**	1,406
Others		**378**	317
		407,513	342,455
Adjustment of work-in-process			
Opening		**23,352**	14,369
Closing		**(29,503)**	(23,352)
		(6,151)	(8,983)

	Note	2011	2010
		(Rupees in thousand)	
Cost of goods manufactured		**401,362**	333,472
Adjustment of finished goods			
Opening stock		**106,015**	74,644
Closing stock		**(115,651)**	(106,015)
		(9,636)	(31,371)
		391,726	302,101

28.1 Raw materials consumed

Opening stock	**136,307**	113,259
Add: purchases	**285,671**	222,945
	421,978	336,204
Less: closing stock	**178,739**	136,307
	243,239	199,897

28.2 These include Rs.8,664 thousand (2010: Rs.11,229 thousand) in respect of staff retirement benefits - gratuity.

29. DISTRIBUTION COST

	Note	2011	2010
Salaries and benefits	**29.1**	**1,244**	935
Travelling		**1**	13
Commission		**21,386**	15,440
Outward freight		**47**	0
Sales promotion / samples		**143**	336
Communication		**76**	20
Vehicles' running		**133**	125
Others		**9**	82
		23,039	16,951

29.1 These include Rs.191 thousand (2010: Rs.160 thousand) in respect of staff retirement benefits - gratuity.

29.2 Effective from current year, the group companies have stopped sharing branch expenses. (The Company, during the preceding year ended 30 June, 2010, had shared expenses aggregating Rs.8,029 thousand on account of the combined offices with its Associated Companies. These expenses were booked in respective heads of account).

30. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		(Rupees in thousand)	
Salaries and benefits	30.1	**35,949**	31,547
Travelling		**1,389**	1,859
Rent, rates and taxes		**561**	1,442
Entertainment / guest house expenses		**351**	484
Communication		**415**	557
Printing and stationery		**513**	454
Electricity		**1,590**	1,298
Insurance		**15**	28
Repair and maintenance		**332**	619
Vehicles' running		**2,194**	1,963
Advertisement		**212**	135
Subscription / papers and periodicals		**220**	194
Depreciation		**2,939**	2,977
Auditors' remuneration:			
- statutory audit		**340**	275
- half yearly review		**100**	60
- consultancy charges		**44**	16
- certification charges		**10**	10
- out-of-pocket expenses		**25**	24
		519	385
Legal and professional charges (other than Auditors')		**992**	1,044
Others		**0**	51
		48,191	45,037

30.1 These include Rs.8,233 thousand (2010: Rs.14,208 thousand) in respect of staff retirement benefits - gratuity.

31. OTHER OPERATING EXPENSES

	Note	2011	2010
Donations (without directors' interest)		**102**	2
Donation to Waqf-e-Kuli Khan	31.1	**2,322**	1,042
Workers' (profit) participation fund	13.1	**4,924**	2,219
Workers' welfare fund		**1,871**	491
Obsolete computers - written-off		**0**	11
		9,219	3,765

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

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

32. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in thousand)	
Income from financial assets			
Mark-up earned on:			
- Associated Companies' balances		**0**	484
- dealers' balances		**386**	871
- PLS accounts		**412**	156
		798	1,511
Income from other than financial assets			
Sale of empties / scrap		**491**	661
Unclaimed balances / excess provisions written-back		**118**	778
Gain on disposal of operating fixed assets - net	**17.3**	**205**	457
Others		**35**	22
		849	1,918
		1,647	3,429

33. FINANCE COST - Net

	Note	2011	2010
Mark-up on short term finances		**9,658**	9,053
Less: mark-up subsidy		**(1,364)**	0
		8,294	9,053
Interest on workers' (profit) participation fund	**13.1**	**76**	99
Mark-up on:			
- Associated Companies' balances		**62**	111
- letters of credit		**541**	772
Lease finance charges		**192**	444
Bank charges		**140**	138
		9,305	10,617

34. EARNINGS PER SHARE

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

	2011	2010
Profit after taxation attributable to ordinary shareholders	**144,937**	87,353
	No. of shares	
Weighted average number of shares outstanding during the year	**7,605,000**	7,605,000
	------- Rupees -------	
Earnings per share	**19.06**	11.49

35. FINANCIAL INSTRUMENTS

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

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

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

35.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk primarily arises from trade debts, security deposits and balance with the banks. Out of the total financial assets of Rs.63,831 thousand (2010: Rs.47,020 thousand), the financial assets which are subject to credit risk aggregated to Rs.63,603 thousand (2010: Rs.46,697 thousand).

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

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

The maximum exposure to credit risk as at 30 June, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Security deposits	5,206	3,781
Trade debts	56,386	40,981
Accrued mark-up	73	284
Mark-up subsidy receivable	767	0
Bank balances	1,171	1,651
	63,603	46,697

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

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

Not past due	34,984	35,162
Past due 1 - 30 days	7,101	2,962
Past due 30 - 150 days	14,301	2,857
	56,386	40,981

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.19,062 thousand have been realised during July, 2011 and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

35.2 Liquidity risk

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

The following are the contractual maturities of the financial liabilities, including estimated mark-up payments:

Particulars	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**
	------------ Rupees in thousand		**------------**
2011			
Liabilities against assets subject to finance lease	**239**	**248**	**248**
Short term finances	**99,666**	**103,585**	**103,585**
Trade and other payables	**40,540**	**40,540**	**40,540**
	140,445	**144,373**	**144,373**

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	--------------------- Rupees in thousand			---------------------
2010				
Liabilities against assets subject to finance lease	1,774	1,969	1,723	246
Short term finances	92,422	95,752	95,752	0
Trade and other payables	59,673	59,673	59,673	0
	153,869	157,394	157,148	246

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

35.3 Market risk

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

(a) Currency risk

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

	2011	2010
	(Rupees in thousand)	
Bills payable	**8,658**	32,172
Outstanding letters of credit	**10,068**	15,211
Total exposure	**18,726**	47,383

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2011	2010	**2011**	2010
U.S. $ to Rupee	**86.22**	84.26	**86.05**	85.60

Sensitivity analysis

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

Effect on profit for the year:	**(Rupees in thousand)**	
U.S. $ to Rupee	**866**	3,217

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

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

(b) Interest rate risk

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

	Effective rate		Carrying amount	
	%	%		
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**333**	51
Variable rate instruments				
Financial liabilities				
Liabilities against assets subject to finance lease	**16.36 to 19.14**	16.44 to 18.26	**239**	1,774
Short term finances	**14.37 to 15.74**	14.41 to 14.85	**99,666**	92,422

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in profit and mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2010.

	(Decrease)	Increase
	(Rupees in thousand)	
As at 30 June, 2011		
Cash flow sensitivity - Variable rate financial liabilities	**(999)**	**999**
As at 30 June, 2010		
Cash flow sensitivity - Variable rate financial liabilities	(942)	942

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

35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates. The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	---------------------- Rupees in thousand ----------------------					
Remuneration (including bonus)	**4,264**	3,426	**6,985**	3,183	**7,916**	2,214
Retirement benefits - gratuity	**1,985**	8,544	**3,481**	2,161	**422**	3,414
House rent	**1,492**	857	**0**	563	**336**	309
Insurance	**4**	0	**0**	2	**22**	17
Reimbursement of medical and other expenses	**151**	244	**105**	60	**192**	121
Utilities	**103**	123	**1,080**	172	**131**	121
	7,999	13,194	**11,651**	6,141	**9,019**	6,196
Number of persons	**1**	2	**1**	3	**3**	2

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

36.2 In addition to above, meeting fees of Rs.440 thousand (2010: Rs.550 thousand) were also paid to seven (2010: seven) non-working directors.

36.3 After the death of Mr. Muhammad Azhar Khan during the preceding year, Mrs. Shahnaz Sajjad Ahmad (a working director) was appointed Chief Executive of the Company with effect from 30 December, 2009 for remaining term which ended on 31 March, 2011. She has been re-appointed as Chief Executive of the Company during the current year.

37. TRANSACTIONS WITH RELATED PARTIES

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

	2011	2010
	(Rupees in thousand)	
- purchase of goods and services	**2,844**	5,449
- purchase of vehicles	**3,051**	0
- sale of a vehicle	**1,400**	0
- mark-up earned	**0**	484
- mark-up charged	**62**	111
- management charges:		
- paid	**0**	469
- received	**0**	2,223
- dividend paid	**5,177**	0
- insurance premium paid	**2,653**	2,520
- issue of shares against deposit for shares	**0**	22,818
	(Number of shares)	
- bonus shares received	**18,837**	0

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

37.3 Mark-up has been accrued at the rate of 7.5% (2010: rates ranged from 14.09% to 14.77%) per annum calculated on daily product basis on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Limited as these balances have arisen on account of insurance premium payable.

38. CAPITAL RISK MANAGEMENT

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

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

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

	(Rupees in thousand)	
Total borrowings	**99,905**	94,196
Less: cash and bank balances	**1,399**	1,974
Net debt	**98,506**	92,222
Total equity	**552,700**	414,754
Total capital	**651,206**	506,976
Gearing ratio	**15%**	18%

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

39. CAPACITY AND PRODUCTION	2011	2010
Yarn		
Number of spindles installed	**3,346**	3,346
Number of spindles/shifts worked	**1,996,550**	2,155,110
Installed capacity at 5 Nm count (Kgs.)	**1,993,096**	1,993,096
Actual production converted into 5 Nm count (Kgs.)	**1,380,750**	1,467,871
Number of shifts worked	**912**	856
Cloth		
Number of looms installed	**46**	46
Number of looms/shifts worked	**32,531**	34,190
Installed capacity of 46 operational looms at 30 picks (Meters) (single shift)	**1,634,798**	1,634,798
Actual production converted into 30 picks (Metres) (03 shifts)	**1,837,063**	1,879,032
Number of shifts worked	**900**	920

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

40. OPERATING SEGMENT

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

40.1 Fabrics and blankets sales represent 99.73% (2010: 99.70%) of the total sales of the Company.

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

40.3 All non-current assets of the Company as at 30 June, 2011 are located in Pakistan.

40.4 Two (2010: three) of the Company's customers having sales aggregating Rs.249.068 million (2010: Rs.291.100 million) contributed towards 43.76% (2010: 70.07%) of the Company's sales. Each customer individually exceeds 10% of total sales.

41. NON ADJUSTMENT EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held om 02 October, 2011, have propsed a final cash dividend for the year ended 30 June, 2011 of Rs. 5 per share (2010 Rs. 2) amounting to Rs.38.025 (m) (2010 Rs. 15.210 (m)) for approval of the members at the Annual General Meeting to be held on 29 October, 2011. The Board of Directors have also recommended to transfer Rs. 135.310(m) (2010 Rs. 165.790 (m)) to general reserve from un-appropriated profit.

42. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 02 Ocotber, 2011 by the Board of Directors of the Company.

43. FIGURES

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

Shahnaz Sajjad Ahmad

Shahnaz Sajjad Ahmad
Chief Executive

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

BANNU WOOLLEN MILLS LIMITED

FORM OF PROXY

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

Witnesses:

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

Signed by the said member in the presence of ____________

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

Signed by the said member in the presence of ____________

Please affix five rupees revenue stamp

Signatures of member

Please fill in the applicable columns:

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

Note:

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

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

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

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