

58TH
ANNUAL
REPORT

2018

BIBOJEE GROUP



BANNU
WOOLLEN MILLS LIMITED

Bannu Woollen Mills Ltd.

بِهِمَّ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY'S PROFILE

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

VISION

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

MISSION STATEMENT

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 58th Annual General Meeting of the Bannu Woollen Mills Limited will be held on **Thursday the October 25, 2018 at 09.00a.m.** at its registered office - Mills premises, D.I. Khan Road, Bannu, to transact the following business.

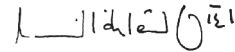
A. ORDINARY BUSINESS:

1. To confirm the minutes of the 57th Annual General Meeting held on November 27, 2017.
2. To receive, consider and adopt the annual audited financial statements of the Company for the year ended June 30, 2018 together with the auditors' report, directors' report and chairman's review report.
To declare final cash dividend @ **25% i.e. Rs.2.5** per share for the year ended June 30, 2018 as recommended by the Board.
3. To appoint Auditors for the financial year 2018-19 and fix their remuneration as suggested by the audit committee to the Board. The retiring auditors M/s. ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore, being eligible have consented and offered themselves for re-appointment.

B. OTHER BUSINESS:

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

By order of the Board



Bannu Woollen Mills Ltd.

Azher Iqbal

Company Secretary

Bannu

Dated: October 03, 2018

NOTES:

1. Book closure

Share transfer books of the Company will remain closed from October 19, 2018 to October 25, 2018 (both days inclusive). Physical transfers / CDS Transaction IDs received in order by the Company's Share Registrar, M/s. Management and Registration Services (Pvt) Limited, Business Executive Center, F-17/3, Block 8, Clifton, Karachi before close of business hours on October 18, 2018 will be treated in time for the entitlement of payment of cash dividend and determination of entitlement of the members to attend and vote at the meeting.

2. Participation in General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his / her proxy to attend, speak and vote instead of him / her. The instrument appointing a proxy must be duly stamped, witnessed and signed. Proxies, in order to be effective, must be received at the registered office of the company not later than forty eight (48) hours before the time is scheduled for the meeting.

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

a) For attending the meeting

- a. In case of Individuals, CDC accountholders are requested to bring with them their CNIC / Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity at the time of attending the Meeting.
- b. In case of corporate entity, the board's resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.

b) For appointing proxies

- a. In case of individuals, the account holder and / or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. Attested copies of the CNIC or the Passport of beneficial owners and the proxy shall be furnished with the proxy form.
- c. The proxy shall produce his original CNIC or original Passport at the time of the Meeting.

3. Payment of Dividend through electronic mode (Mandatory)

Under the provisions of Section 242 the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders **ONLY** through electronic mode directly into bank account designated by the entitled shareholders.

Keeping in view the same, members are requested to promptly provide/update their International Bank Account Number ("IBAN") details on the "Electronic Credit Mandate Form" available on the Company's website: **www.bwm.com.pk** and send it duly signed along with a copy of CNIC to the Company's registered office, in case of physical shareholders.

In case shares are held in CDC then "Electronic Credit Mandate Form" must be submitted directly to shareholder's broker / participant / CDC account services.

4. General notes

a) Change in address / email address

Members holding shares in physical form are requested to promptly notify Share Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC InvestorAccounts Service.

In case of change in email addresses directly to us at our registered office, to ensure effective communication.

b) CNIC number

CNIC numbers of shareholders are mandatorily required for dividend distribution. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar. In case of non-receipt of the copy of a valid CNIC, the company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under SECP's Order dated July 13, 2015 to withhold the payment of dividend of such shareholders.

The shareholders while sending CNIC must quote their respective folio number and name of the Company.

c) Filer / non-filer status

Pursuant to the provisions of Finance Act 2018, effective 1 July 2018, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of shareholder	Rate of deduction
1	Filers of income tax return	15%
2	Non - filer of income tax return	20%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website. All the members whose names are not entered into the Active Taxpayer List, despite the fact that they are filers, are advised to make sure that their names are entered into the list before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @20% instead @15%. The corporate members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or our Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

Members seeking exemption from deduction of income tax or those members who are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

Members who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his/her shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the Annual General Meeting date.

Folio/CDC A/c No	Name of shareholder	CNIC	Shareholding	Total shares	Principal / joint shareholder
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5. Electronic Transmission of Financial Statements.

Section 55 and section 233 of the Companies Act, 2017 provide that audited financial statements and notice of the general meeting may be sent to the members either by post or electronically (through e-mail). We are pleased to offer this facility to our members who desire to receive annual Financial Statements and notices of the meetings through e-mail in future. In this respect members are requested to convey their e-mail addresses on a standard request form which is available at the Company website www.bwm.com.pk. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail

address. Members who desires to receive a copy of Annual Financial Statements in hard form may demand which shall be provided free of cost within seven (07) days.

6. Video-link facility

Members can also avail video link facility. In this regard, the members residing in a city and collectively holding at least 10% of the total paid up capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Company at its registered office at least 07 days prior to the date of the meeting on the below mentioned form.

"I/We, _____ resident of _____, being a member of Bannu Wollen Mills Limited, holder of _____ ordinary share(s) as per Registered Folio No. _____ hereby opt for video-link facility at _____."

7. Unclaimed shares / dividend

Pursuant to Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it became due and payable shall vest with the Federal Government after compliance of procedures prescribed under the Company Act, 2017. Accordingly, members are requested to promptly deposit their dividend warrants, if already available with them. Incase dividend warrants have not been received or there are any unclaimed / undelivered share certificates, please contact us at our registered office address.

8. Placement of financial statements

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2018 along with Auditors' and Directors' Reports thereon on its website: **www.bwm.com.pk** or scan QR Code.

CHAIRMAN'S REVIEW

I am pleased to present the review for the year ended June 30, 2018 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

REVIEW OF BUSINESS PERFORMANCE

The year 2017-18 was another successful year for the Company in terms of record sales revenue and financial performance in times of number of challenges emanating from economic and business front mainly political instability, unprecedented continuous devaluation of our currency and shorten winter season. The salient financial achievements during the year are:

- Net sales increased by 5.71% to Rs. 838.619 million
- Gross profit increased to Rs. 272.834 million
- Earnings per share - Rs. 5.40 (Rs. 8.24 without share of loss of Associated Companies)

REVIEW OF BOARD'S PERFORMANCE

During the year, the Board has undertaken a formal process of evaluation of its performance as a whole as well as individual Board member's performance. The performance evaluation of the Board Audit Committee and HR & Remuneration Committee has also been initiated. The overall performance of the Board measured on the defined parameters for the year was satisfactory. Further, the Board has played a vital role in achieving the Company's objectives.

The Board normally meets once every quarter to consider and approve the financial and operating results of the Company. During the year 2017-18 four board meetings, four audit committee and one HR & Remuneration committee meetings were held.

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

BUSINESS RISKS, CHALLENGES AND FUTURE OUTLOOK

In line with the Company's vision and mission statement, the focus of the Company's management will remain on delivery of quality products and sound business plans for overall success of the Company. I am confident that the Company will be successful in meeting the future challenges and targets.

We hope that the post-election period may bring some stability on the economic front. In addition to the economic reforms, we look forward to political stability, the formulation of long term business friendly textile policy, stability in Pak Rupee vs. US\$ parity and uninterrupted energy supplies. The expected economic reforms by new government would definitely result in restoring the investors' confidence.

ACKNOWLEDGEMENT

On behalf of the Board, I appreciate untiring efforts of our employees and express gratitude to all stakeholders including our valued dealers, customers, banks and suppliers for their continued cooperation and support.

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

September 27, 2018
Rawalpindi


Raza Kuli Khan Khattak
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the company are pleased to present their report together with the annual report of the Company and the audited financial statements for the year ended June 30, 2018.

THE FINANCIAL HIGHLIGHTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2018 ARE AS FOLLOWS:-

	Year ended June, 30		Variance (%)
	2018	2017	
	Rs. In millions		
Sales- net	838,619	793,305	5.71
Gross Profit	272,834	262,013	4.13
Profit from Operations	125,427	101,996	22.97
Profit before taxation	80,845	93,971	(13.97)
Taxation	29,542	26,246	12.56
Profit after taxation	51,303	67,725	(24.25)
Earnings per share (Rupees)	5.40	7.12	(24.16)

OPERATING PERFORMANCE REVIEW

With the installed capacity of 3,794 woollen spindles and 50 shuttle less looms (2017: capacity was 3,794 woollen spindles and 50 shuttle less looms), the Company has produced 1,260,709 Kgs of 5 Nm of count yarn and 1,541,498 meters cloth based on 30 picks in year under review as compared to 1,315,794 Kgs of 5 Nm of count yarn and 1,585,338 meters cloth based on 30 picks for the year ended June 30, 2017. Production during the year decreased by 43,840 meters 2.77% as compared to the last year, mainly due to decrease in production of blazer cloth by 79,700 meters (43.34%) as compared to last year.

DIVIDENDS AND APPROPRIATIONS

Considering the current financial position, the directors have recommended cash dividend of Rs. 2.50 per share i.e.25%(June 30, 2017: Rs. 5 per share). Accordingly, the appropriation of profit will be as under:

	Year ended June 30,	
	(Restated)	
	2018	2017
	---- (Rupees in '000) ----	
Profit available for appropriation	56,854	86,624
Appropriation:		
Transfer to General Reserve	33,000	39,000
Cash Dividend 25% (2017: 50%)	23,766	47,532
	56,766	86,532
Un-appropriated profit carried forward	88	92

FUTURE PROSPECTS

Pakistan's economic growth is expected to continue to benefit the textile industry. Following the third successful democratic transition, despite facing macroeconomic challenges including a growing current account deficit, fiscal deficits, import growth, devaluation of Pak Rupee, the political stability is expected to further harbour a thriving business environment.

Under the present conditions, the Company will remain exposed to the risk of adverse fluctuation in the Pak Rupee vs. US\$ parity as major part of the raw-materials is imported from different countries. Financial risks relating to the business of the Company have been explained in detail in note 33 to the accounts.

As the duration and severity of winter season has reduced since last three years, the woollen stock has piled-up, resultantly the working capital cycle got disturbed and finance cost increased to Rs. 17.552 million (2017: Rs. 4.103 million). Keeping in view of the market opportunities and decline in demand of woollen cloth, the management of the Company is focusing on finer counts. The Company is still optimistic in using its marketing function to further grow and hopes to strengthen operating results by volume benefits in coming winter season.

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

AUDITORS' OBSERVATION

The auditors of the Company have qualified their report on the grounds that they do not concur with certain estimates and assumptions used to calculate the recoverable amounts of investments in Associated Companies namely Babri Cotton Mills Ltd. (BCM) and Janana De Malucho Textile Mills Ltd. (JDM).

The comments of management are given as under:

Qualified Opinion relates to basis of calculation of recoverable amount of investment in BCM and JDM. The Management has provided the detailed workings of the recoverable amounts of its investments BCM and JDM using value-in-use method, which refers to the present value of future cash flows expected to be derived.

The estimated future cash flows have been discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money. The pre-tax discount rates applied to cash flow projections by BCM and JDM are 6.13% and 7.95% respectively, which were calculated by using Capital Asset Pricing Model (CAPM) which is equal to the risk-free return plus a risk premium, which is based on the beta of that security.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

1. The financial statements, prepared by the management of Bannu Woollen Mills Ltd., present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. The Company has maintained proper books of account.

4. The Company introduced a contributory provident fund scheme in place of gratuity scheme for its management / non-management employees.
5. International accounting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed.
6. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as on-going process with objective to strengthen the controls and bring improvements in the system.
7. There are no doubts about the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of the CCG Regulations, except disclosed.
9. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2018, except for those disclosed in the financial statements.

However; the Statutory Auditors of the Company have pointed out a non-compliance with the Regulations in their Review Report on the Statement of Compliance with CCG Regulations. The point placed by the auditor's and managements comments on the point is given below:

AUDITOR'S OBSERVATION	MANAGEMENT'S REPLY
None of the member of the Board Audit Committee meets the requirement under clause 28(c) of the Regulations.	<i>The point has been noted for future compliance and the Board will consider appointing at least one member of the audit committee who qualifies as "financially literate".</i>

COMPOSITION OF THE BOARD

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

The current composition of the Board is as follows:

The total number of directors	09
a) Male	08
b) Female	01
Independent Director	02
Other Non-executive Directors	05
Executive Directors	02

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated regularly along the following parameters, both at individual and team levels.

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

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

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

BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met 4 times during 2017-18.

The names of committee members are as follows:

i.	Mr. Ahmad Zeb Khan	Chairman
ii.	Mr. Ahmad Kuli Khan Khattak	Member
iii.	Mr. Abdul Rehman Qureshi	Member

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

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

HR AND REMUNERATION COMMITTEE

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive directors. The CEO of the Company attended the Human Resource and Remuneration Committee meeting held during the year as member of the committee. The Committee met once during 2017-18.

The names of committee members are as follows:

- I. Mr. Ahmad Zeb Khan Chairman
- ii. Mr. Ahmad Kuli Khan Khattak Member
- iii. Mrs. Shahnaz Sajjad Ahmad Member

MEETINGS OF BOARD AND ITS COMMITTEES IN 2017-18

During the year 2017-18 four board meetings, four audit committee and one HR & Remuneration committee meetings were held. The number of meetings attended by each director during the year is given here under:

Sr. No.	Director	Status	Committee Members		Attendance		
			Board Audit Committee	HR & RC	Board Meetings	Board Audit Committee	HR & RC
1.	Mr. Raza Kuli Khan Khattak	Re-elected on March 29, 2017	-	-	4 / 4	-	-
2.	Lt. Gen (Retd.) Ali Kuli Khan Khattak	Resigned on March 26, 2018	-	-	3 / 3	3 / 3	-
3.	Mrs. Shahnaz Sajjad Ahmed	Re-elected on March 29, 2017	-	✓	4 / 4	-	1 / 1
4.	Mr. Ahmed Kuli Khan Khattak	Re-elected on March 29, 2017	✓	✓	4 / 4	3 / 4	1 / 1
5.	Mr. Mushtaq Ahmed Khan, FCA	Re-elected on March 29, 2017	-	-	3 / 4	-	-
6.	Mr. Gohar Ayub Khan	Re-elected on March 29, 2017	-	-	4 / 4	-	-
7.	Syed Zubair Ahmed (NIT)	Re-elected on March 29, 2017	-	-	4 / 4	-	-
8.	Mr. Ahmed Zeb Khan (Independent)	Re-elected on March 29, 2017	✓	✓	4 / 4	2 / 4	1 / 1
9.	Mr. Muhammad Kuli Khan Khattak	Elected on March 29, 2017	-	-	4 / 4	-	-
10.	Mr. Abdul Rehman Qureshi (Independent)	Co-opted on April 17, 2018	✓	-	0 / 0	0 / 0	-

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

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

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

DIRECTORS' REMUNERATION

Directors Fee is paid in line with Board approval and the Company has a formal policy in this regard in accordance with the Companies Act, 2017 and the CCG Regulations. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2017-18, please refer note 36 to the Financial Statements.

MATERIAL CHANGES

There have been no material changes since June 30, 2018 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

COMMUNICATION

The Company places great importance on the communication with the shareholders. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The Company's activities are updated on its web site www.bwm.com.pk, on timely basis.

HEALTH, SAFETY AND ENVIRONMENT

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

CORPORATE SOCIAL RESPONSIBILITY

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

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)

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

APPOINTMENT OF AUDITORS

The Company's auditors M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, HM House, 7 Bank Square, Lahore retire and being eligible, offer themselves for reappointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2018-19.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as at June 30, 2018 is annexed to this report.

THANKS AND APPRECIATION

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

on behalf of the Board of Directors



(Syed Zubair Ahmed Shah)
Director



(Shahnaz Sajjad Ahmad)
Chief Executive Officer

ڈائریکٹرز رپورٹ برائے حصص داران

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ اپنی رپورٹ بمعہ 30 جون 2018 کو ختم ہونے والے سال کے لئے کمپنی کی سالانہ رپورٹ اور آڈیٹڈ مالیاتی نتائج پیش کر رہے ہیں۔
کمپنی کے اس سال کے نتائج پچھلے سال کے موازنہ کے ساتھ درج ذیل ہیں:

متغیر	سال کا اختتام	سال کا اختتام	
%	30 جون 2018	30 جون 2017	
	(روپے ہزاروں میں)		
5.71	838,619	793,305	خالص فروخت
4.13	272,834	262,013	مجموعی منافع
22.97	125,427	101,996	آپریٹنگ منافع
(13.97)	80,845	93,971	قبل از ٹیکس منافع
12.56	29,542	26,246	ٹیکس
(24.25)	51,303	67,725	بعد از ٹیکس منافع
(24.16)	5.40	7.12	منافع فی حصص (روپے)

آپریٹنگ کارکردگی:

3794 دولن سپنڈلز اور 50 لومز کی نصب صلاحیت کے ساتھ (3,794 سپنڈلز اور 50 لومز: 2017) کمپنی نے موجودہ سال 1,260,709 کلوگرام 5Nm سوت اور 1,541,498 میٹر کپڑا 30 پکس کی بنیاد پر تیار کیا (1,315,794 کلوگرام 5Nm سوت اور 1,585,338 میٹر کپڑا 30 پکس: 2017)۔ موجودہ سال میں پیداوار پچھلے سال کے مقابلے 43,840 میٹر کم ہوئی ہے جو کہ 2.77% ہے، بنیادی طور پر گزشتہ سال کے مقابلے میں بلیزر کپڑے میں 79,700 میٹر (43.34%) کمی ہوئی ہے۔

ڈیوڈنڈ اور تصرفات:

موجودہ مالیاتی پوزیشن پر غور کرنے کے بعد ڈائریکٹرز نے کیش ڈیوڈنڈ -/2.50 روپے فی حصص جو کہ 25% ہے (5 روپے فی حصص: 2017) کی سفارش کی ہے۔

اس کے مطابق منافع کا تصرف درج ذیل ہوگا۔

سال کا اختتام	سال کا اختتام	
30 جون 2018	30 جون 2017	
(روپے ہزاروں میں)		
56,854	86,624	تصرفات کے لئے دستیاب منافع
		تصرفات:
33,000	39,000	عام ذخائر کی منتقلی
23,766	47,531	کیش ڈیپوٹنڈ 25% (2017: 50%)
56,766	86,532	
88	92	غیر تصرف شدہ منافع آگے لایا گیا

مستقبل کی امید:

نیکسٹل انڈسٹری سے فائدہ جاری رکھنے کے لئے پاکستان کی اقتصادی ترقی متوقع ہے۔ تیسری کامیاب جمہوری منتقلی کے بعد، اقتصادی حالات کا سامنا کرنے کے باوجود، بڑھتے ہوئے موجودہ اکاؤنٹ خسارے سمیت، مالیاتی خسارے، درآمدی ترقی، کاروباری ماحول کو مزید محفوظ کرنے کے لئے سیاسی استحکام متوقع ہے۔

موجودہ حالات کے مطابق، کمپنی کو پاکستانی روپے بمقابلہ امریکی ڈالر کے اتار چڑھاؤ کے خطرات سے باخبر رہنا ہوگا کیونکہ خام مال کا بڑا حصہ مختلف ممالک سے برآمد کیا جاتا ہے۔ کمپنی کے کاروبار سے منسلک مالیاتی خطرات کے بارے میں تفصیل نوٹ 33 میں بیان کی گئی ہے۔

جیسا کہ گزشتہ 3 سالوں سے موسم سرما کے دورانیہ اور شدت میں کمی ہوگئی، اونی مال کا شاک بڑھ گیا ہے، جس کے نتیجے میں سرمایہ کا نظام ڈسٹرب ہوا اور مالیاتی لاگت بڑھ کر 17.552 ملین ہو گئے۔ (سال 2017 4.103 ملین)۔

مارکیٹ کے مواقع کو دیکھتے ہوئے اور اونی کپڑے کی طلب میں کمی کی وجہ سے کمپنی انتظامیہ کی توجہ فائزر کاؤنٹ پر مرکوز رہی ہے۔ کمپنی مزید ترقی کے لئے اپنے مارکیٹنگ نظام کو استعمال کرنے کے لئے بھی پر امید ہے اور آنے والے موسم سرما میں اپنے آپریٹنگ نتائج مضبوط کرنے کے لئے کوشاں ہے۔

آگے بڑھتے ہوئے، ہم اپنے کام کے طریقہ کار کو مزید بہتر بنائیں گے، اپنے حصہ داروں کی مسلسل وابستگی کے لئے، زیادہ سے زیادہ پیشہ ور، موثر اور منافع بخش کام کرنے کا راستہ مزید بہتر بنانے کے لئے مصروف رہے ہیں۔

آڈیٹرز کا مشاہدہ:

کمپنی کے آڈیٹرز نے ایسوسی ایٹڈ کمپنیوں یعنی باری کاٹن ملز لمیٹڈ اور جانا نہ ڈی مالوچو ٹیکسٹائل ملز لمیٹڈ میں سرمایہ کاری کی وصولی رقم کی قیمتوں کا حساب کرنے کے لئے اور حاصل ہونے والے مخصوص تخمینوں اور مفروضوں سے متعلق نہ ہونے پر ترمیمی رپورٹ دی ہے۔

مینجمنٹ کی رائے ذیل میں دی گئی ہے:

ترمیمی رائے باری اور جانا نہ ملز میں سرمایہ کاری کی وصولی رقم سے متعلق ہے۔ انتظامیہ نے باری اور جانا نہ ملز میں سرمایہ کاری کی وصولی رقم کی مکمل تفصیلات مہیا

کردی ہیں جس میں value-in-use طریقہ استعمال کیا گیا ہے، جس میں متوقع مستقبل کی نقدی بہاؤ کو موجودہ قدر کا حوالہ دینا ہے۔
متوقع مستقبل کے نقدی بہاؤ کو قبل از ٹیکس کی رعایتی شرح سود سے موجودہ قدر میں تبدیل کیا جاتا ہے جو کہ موجودہ مارکیٹ میں پیسے کی قدر کی عکاسی کرتی ہے۔

قبل از ٹیکس کی رعایتی شرح با بری ملز اور جانا ملز کی طرف سے، جو لاگو کی گئی وہ بالترتیب 6.13% اور 7.95% ہیں، جس میں CAPM طریقہ استعمال کرتے ہوئے شمار کیا گیا ہے، جو کہ رسک فری پریم جمع رسک پریم کے برابر ہے، جس کی بنیاد سیکورٹی کے BETA پر ہے۔ ہم اس نظریہ پر ہیں جس میں قیمتوں کے حساب کے لئے استعمال کردہ تخمینہ اور مفروضے مارکیٹ کے حالات سے مطابقت رکھتے ہیں۔

انتظامیہ اس بنیاد پر اعتماد ہے کہ ایسوسی ایٹ کمپنیوں میں کی جانے والی سرمایہ کاری، اس سے حاصل ہونے والی رقم سے زیادہ نہیں ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کا نظام:

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

(1) بنوں ولول ملز لمیٹڈ کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹ آف افیئرز، آپریشنز کے نتائج، کمیشن کے بہاؤ اور ایکوٹی میں تبدیلیوں کو پیش کرتی ہے۔

(2) مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور مالیاتی تخمینے معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔

(3) کمپنی اکاؤنٹس کی کتب کو باقاعدہ مرتب رکھتی ہے۔

(4) کمپنی نے اپنے انتظامی / غیر انتظامی ملازمین کے لئے (Gratuity Fund) کی جگہ ایک پراوڈنٹ فنڈ سکیم (Provident Fund Scheme) متعارف کروائی ہے۔

(5) پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز پر مالیاتی اسٹیٹمنٹ کی تیاری میں عمل درآمد کیا جاتا ہے اور کسی بھی انحراف کو باقاعدہ ظاہر کیا جاتا ہے۔

(6) اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا ہے۔ موثر انداز میں لاگو کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی بھی کی جاتی ہے اندرونی کنٹرول کی نگرانی کا عمل اس مقصد کے ساتھ جاری رہے گا کہ ان کنٹرولز کو مزید بہتر بنایا جائے۔

(7) جاری و ساری منصوبوں اور امور کی انجام دہی کے لئے کمپنی کی بہترین صلاحیتوں پر کوئی شک نہیں کیا جاسکتا۔

(8) لسٹنگ ریگولیشنز میں دی گئی تفصیل کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی بڑا انحراف نہیں جو بتایا گیا ہے۔

(9) کسی بھی قسم کی ادائیگی، بطور ٹیکس فرائض کی ادائیگی اور چارجز کی مد میں 30 جون 2018 کو واجب الدائیں ہیں۔ علاوہ اس کے جو مالیاتی تفصیلات میں ظاہر کی گئی ہے۔

تاہم کمپنی کے مجاز آڈیٹرز نے Statement of Compliance کی جائزہ رپورٹ میں ضابطہ کی غیر تعمیلی کا ایک نقطہ ظاہر کیا ہے جو کہ ذیل میں دیا گیا ہے:

آڈیٹرز کا اعتراض	انتظامیہ کا جواب
بورڈ آف آڈٹ کا کوئی بھی رکن سی سی جی قوانین کی شق (c) 28 کے تحت پورا نہیں کرتا۔	مستقبل کی تعمیل کے لئے نوٹ کر لیا گیا۔ بورڈ اس کی تعمیل کے لئے کم از کم آڈٹ کمیٹی کا ایک رکن جو مالیاتی معاملات کی جانکاری رکھتا ہو، کی تعیناتی پر غور کرے گا۔

بورڈ کی تشکیل:

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

موجودہ بورڈ کی تشکیل درج ذیل ہے:

09	ڈائریکٹرز (کل تعداد)
08	(a) مرد
01	(b) خواتین
02	آزاد ڈائریکٹرز
05	دوسرے نان ایگزیکٹو ڈائریکٹرز
02	ایگزیکٹو ڈائریکٹرز

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

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

بورڈ اراکین کی اکثریت CCG کی شق 5.19.7 کے مطابق ڈائریکٹرز کے تربیتی پروگراموں سے استثنیٰ کے لئے ضروری اہلیت اور تجربہ رکھتی ہے۔ تمام ڈائریکٹرز، کارپوریٹ ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں کے ساتھ مکمل طور پر واقف ہیں۔ بورڈ نے گزشتہ سالوں میں اپنے ڈائریکٹرز کے کردار اور ذمہ داریوں کی حوصلہ افزائی کے لئے کوڈ آف کارپوریٹ گورننس کے تعارفی کورس کا انتظام بھی کیا ہے۔ مندرجہ بالا تعین کردہ ہدایات کی بنیاد پر بورڈ کی مجموعی سالانہ کارکردگی تسلی بخش ہے۔ بورڈ کے اراکین میں بورڈ کے لائحہ عمل کے تنوع کو موثر انداز میں ترتیب دیا جس میں آزاد اور نان ایگزیکٹو ڈائریکٹرز ہیں۔ بورڈ کمپنی کے متعین کردہ مقاصد کو تشکیل دینے میں بھی موثر ہے۔

بورڈ آڈٹ کمیٹی:

بورڈ آڈٹ کمیٹی نے بنیادی طور پر مالی اور غیر مالی معلومات کے مشترکہ حصول، داخلی کنٹرول کے نظام اور Risk کے انتظامات کے نظام اور آڈٹ کے عمل کے لئے اپنی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کی ہے۔ بورڈ انتظامیہ سے معلومات حاصل کرنے اور بیرونی آڈیٹرز یا مشیروں کے ساتھ براہ راست مناسب مشورہ کرنے میں خود مختار ہے۔ چیف فنانشل آفیسر باقاعدگی سے اکاؤنٹس پیش کرنے کے لئے آڈٹ کمیٹی کے اجلاسوں میں دعوت کے ذریعے شرکت کرتے ہیں۔ ہر میٹنگ کے بعد چیئر مین کمیٹی نے بورڈ کو رپورٹ کی ہے، کمیٹی نے 2017-2018 کے دوران 4 ملاقات کی۔

ارکان کمیٹی کے نام درج ذیل ہیں:

- i. جناب احمد زب خان چیئرمین
- ii. جناب احمد قلی خان خٹک ممبر
- iii. جناب عبدالرحمن قریشی ممبر

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

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

انسانی وسائل کے انتظامات:

کمیٹی نے سینئر ایگزیکٹو کے معاوضہ سے متعلق، منجمنٹ اور ورکرز کی ترقی کی پالیسیوں کے تمام عناصر کا جائزہ لینے، سفارش کرنے اور انتظامی کمیٹی کے ممبران اور منجمنٹ کمیٹی کے ممبران کے متعلق تمام معاملات کو منظور کرنے کے لئے ملاقات کی۔ کمیٹی کے CEO نے کمیٹی کے رکن کے طور پر منعقد ہونے والے انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کی۔ کمیٹی نے 2017-2018 کے دوران ایک بار ملاقات کی۔

ارکان کمیٹی کے نام درج ذیل ہیں:

- i. جناب احمد زب خان چیئرمین
- ii. جناب احمد قلی خان خٹک ممبر
- iii. محترمہ شہناز سجاد احمد ممبر

سال 2017-18 میں بورڈ اور اس کی کمیٹیوں کے اجلاس:

سال 2017-18 کے دوران چار بورڈ کے اجلاس، بورڈ آڈٹ کمیٹی کی چار، انسانی وسائل اور معاوضہ کمیٹی کی ایک میٹنگ منعقد کی گئی، ڈائریکٹرز کی اس سال کی حاضری درج ذیل ہے:-

نمبر	ڈائریکٹرز	اسٹیٹس	کمیٹی اراکین		حاضری		
			بورڈ آڈٹ کمیٹی	ہیومن ریسورس اینڈ ریمپوزیشن کمیٹی	بورڈ میٹنگ	بورڈ آڈٹ کمیٹی	ہیومن ریسورس اینڈ ریمپوزیشن کمیٹی
1.	رضاقی خان خٹک	Re-elected on March 29, 2017	-	-	4 / 4	-	-
2.	لیفٹیننٹ جنرل ریٹائرڈ علی قلی خان خٹک	Resigned on March 26, 2018	-	-	3 / 3	3 / 3	-
3.	بیگم شہناز سجاد احمد	Re-elected on March 29, 2017	-	✓	4 / 4	-	1 / 1
4.	احمد قلی خان خٹک	Re-elected on March 29, 2017	✓	✓	4 / 4	3 / 4	1 / 1
5.	مشتاق احمد خان (FCA)	Re-elected on March 29, 2017	-	-	3 / 4	-	-
6.	گوہر ایوب خان	Re-elected on March 29, 2017	-	-	4 / 4	-	-
7.	سیدزبیر احمد (NIT)	Re-elected on March 29, 2017	-	-	4 / 4	-	-
8.	احمد زب خان (آزاد)	Re-elected on March 29, 2017	✓	✓	4 / 4	2 / 4	1 / 1
9.	محمد قلی خان خٹک	Elected on March 29, 2017	-	-	4 / 4	-	-
10.	احمد رحمن قریشی (آزاد)	Co-opted on April 17, 2018	✓	-	0 / 0	0 / 0	-

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

بورڈ آف ڈائریکٹرز اور بورڈ کمیٹی کی کارکردگی:

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

ڈائریکٹرز ریمونیشن:

کمپنیز ایکٹ، 2017 اور CCG کے ضابطے کے مطابق اور بورڈ کی منظوری کے ساتھ ڈائریکٹرز کی فیس ادا کی جاتی ہے۔ کمپنی، میٹنگ میں شرکت کے لئے فیس کے علاوہ غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔ 2017-2018 میں ڈائریکٹرز اور CEO کی معلومات کے لئے، برائے مہربانی مالی تفصیلات کے نوٹ نمبر 36 میں درج ہیں۔

مواد کی تبدیلی:

کمپنی رپورٹ کے مواد میں 30 جون 2018 سے اب تک کوئی ایسی تبدیلی نہیں کی گئی جس کا کمپنی کی مالی حیثیت پر کوئی منفی اثر پڑے۔

مواصلات:

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

صحت، تحفظ اور ماحول:

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

اجتماعی سماجی ذمہ داری:

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

بورڈ آف ڈائریکٹرز:

کمپنی کی تشکیل کردہ بورڈ کمیٹی میں ایک آزاد ڈائریکٹر ہے، چھ نان-ایگزیکٹو ڈائریکٹرز ہیں (بشمول چیئرمین) اور 12 ایگزیکٹو ڈائریکٹرز ہیں۔ صنف، علم، تجربات اور ارکان کی مہارت کے تجربات ہمارے بورڈ کے اچھے اثرات میں اضافہ کرتے ہیں۔ ہماری بورڈ کی تشکیل ہر قسم کے شیئر ہولڈرز کے مفادات کی نمائندگی کرتی ہے۔

اہم آپریٹنگ اور مالیاتی اعداد و شمار (6 سالہ خلاصہ)

پچھلے 6 سال کے اہم آپریٹنگ اعداد و شمار اس رپورٹ میں منسلک ہیں۔

آڈیٹرز:

سکدوش ہونے والے آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر خود دوبارہ تقرری کے لئے پیش کیا ہے، بورڈ آڈٹ کمیٹی نے آڈیٹرز کی سال 2018-19 کے لئے دوبارہ تقرری کے لئے سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:


کمپنی کی 30 جون 2018 کی شیئر ہولڈنگ کا طریقہ کار اس رپورٹ میں درج ہے۔


شکریہ اور قدردانی:

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

مورخہ: 27 ستمبر 2018ء

بورڈ آف ڈائریکٹرز کی جانب سے


(سید زبیر احمد شاہ)
ڈائریکٹر


(شہناز سجاد احمد)
چیف ایگزیکٹو آفیسر

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

	----- Restated -----					Rs. In million
	2018	2017	2016	2015	2014	2013
Sales (Net)	838.619	793.305	749.408	796.977	788.882	807.725
Gross Profit	272.834	262.013	238.802	248.343	226.353	230.434
Operating Profit	125.427	101.996	104.360	106.707	97.376	101.697
Profit Before Taxation	80.845	93.971	102.562	96.330	152.076	176.130
Taxation	29.542	26.246	27.938	33.433	20.436	30.063
Profit / (loss) After Taxation	51.303	67.725	74.624	62.897	131.640	146.067
Dividend	25%	50%	50%	30%	0%	* 25%
Earning / (Loss) Per Share	5.40	7.12	7.85	6.62	13.85	15.37
Break Up Value Per Share Without						
Revaluation Surplus	113.12	112.15	107.89	101.72	94.88	99.49
Non-Current Assets	2,227.797	2,293.560	2,318.011	1,229.960	1,228.315	1,111.966
Current Assets	1,104.569	957.879	748.652	779.446	689.877	674.155
Total Assets	3,332.366	3,251.439	3,066.663	2,009.406	1,918.192	1,786.121
Share Capital	95.063	95.063	95.063	95.063	95.063	76.050
Revenue Reserves	980.354	971.124	930.537	881.440	806.860	680.547
Equity	1,075.417	1,066.187	1,025.600	976.503	901.923	756.597
Surplus on revaluation of property, plant and equipment	1,606.310	1,620.656	1,634.781	556.975	563.214	569.656
Non-Current Liabilities	139.021	278.610	267.015	237.009	235.050	205.114
Current Liabilities	511.618	285.986	139.267	238.919	218.005	254.754
	650.639	564.596	406.282	475.928	453.055	459.868
Total liabilities	3,332.366	3,251.439	3,066.663	2,009.406	1,918.192	1,786.121

* Bonus Shares

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

PATTERN OF SHAREHOLDING

1. CUIN (Incorporation Number)

0	0	0	1	0	8	0
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2. Name of the Company

BANNU WOOLLEN MILLS LIMITED

3. Pattern of holding of the shares held by the shareholders as at

3	0
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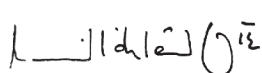
0	6
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2	0	1	8
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4. No. of shareholders	<u>Shareholdings</u>	<u>Total shares held</u>
233	shareholding from 1 to 100	7,345
321	shareholding from 101 to 500	116,989
200	shareholding from 501 to 1,000	178,069
350	shareholding from 1,001 to 5,000	874,044
70	shareholding from 5,001 to 10,000	555,854
28	shareholding from 10,001 to 15,000	355,083
17	shareholding from 15,001 to 20,000	312,976
9	shareholding from 20,001 to 25,000	211,088
3	shareholding from 25,001 to 30,000	86,486
6	shareholding from 35,001 to 40,000	231,832
7	shareholding from 40,001 to 45,000	300,247
3	shareholding from 45,001 to 50,000	148,000
1	shareholding from 50,001 to 55,000	54,076
4	shareholding from 55,001 to 60,000	225,090
1	shareholding from 60,001 to 65,000	60,050
1	shareholding from 70,001 to 75,000	74,290
1	shareholding from 75,001 to 80,000	75,097
2	shareholding from 80,001 to 85,000	164,176
3	shareholding from 90,001 to 95,000	275,748
1	shareholding from 95,001 to 100,000	95,062
1	shareholding from 100,001 to 105,000	101,238
1	shareholding from 120,001 to 125,000	123,318
1	shareholding from 205,001 to 210,000	210,000
1	shareholding from 275,000 to 280,000	276,000
1	shareholding from 295,001 to 300,000	300,000
2	shareholding from 430,001 to 435,000	864,594
1	shareholding from 730,001 to 735,000	731,626
1	shareholding from 2,495,001 to 2,500,000	2,497,872
1,270	Total	9,506,250

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	788,723	8.30
5.2 Associated Companies, undertakings and related parties.	3,238,438	34.07
5.3 NIT and ICP	433,486	4.56
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	388	0.00
5.5 Insurance Companies	N.A	N.A
5.6 Modarabas and Mutual Funds	19,000	0.20
5.7 Share holders holding 10% Bibojee Services (Pvt.) Ltd	2,497,872	26.28
5.8 General Public		
a. Local	4,494,312	47.28
b. Foreign	NIL	NIL
5.9 Others		
Joint Stock Companies	442,605	4.66
NBP Employees Pension Fund	42,797	0.45
NBP Employees Benevolent Fund	1,501	0.02
Cdc - Trustee D. G. Khan Cement Ltd. Emp. P. Fund	45,000	0.47

6. Signature of Secretary



7. Name of Signatory

AZHER IQBAL

8. Designation

Company Secretary

9. NIC Number

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

10. Date

Day	Month	Year
3 0	0 6	2 0 1 8

**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,	731,626
	M/S.BIBOJEE SERVICES (PVT) LTD.	2,497,872
	M/S UNIVERSAL INSURANCE CO. LTD,	8,940
2.	N.I.T. & I.C.P:	
	M/S.INVESTMENT CORPORATION OF PAKISTAN	937
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	431,637
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
	Mr.Raza Kuli Khan Khattak, Director	56,573
	Mrs.Shahida Khatoon - Spouse	20,000
	Mrs.Shahnaz Sajjad Ahmed Chief Executive	111,435
	Mr. Ahmed Kuli Khan Khattak Director	56,517
	Mrs. Nasreen Ahmed Kuli Khan - Spouse	101,238
	Mr.Mushtaq Ahmed Khan (FCA) Director	432,957
	Mr.Gohar Ayub Khan Director	500
	Mr.Ahmad Zeb Khan Director	10
	Syed Zubair Ahmad Shah (NIT) Director	1,000
	Mr. Abdul Rehman Qureshi Director	20
	Muhammad Kuli Khan Khattak Director	20
4.	EXECUTIVES	44,487
5.	JOINT STOCK COMPANIES	442,605
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	19,388
7.	SHAREHOLDERS HOLDING 5% OR MORE:	
	M/S.BIBOJEE SERVICES (PVT) LTD.	2,497,872
8.	GENERAL PUBLIC & OTHERS	4,539,123

During the year Mr. Mushtaq Ahmed Khan (FCA) - Director and his spouse sold / gifted 53,000 & 19,187 shares of the Company respectively. Syed Zubair Ahmad Shah (NIT) – Director purchased 500 shares of the Company during the year. The requisite returns in this respect were filed with the regulatory authorities in addition to informing the Board and the Pakistan Stock Exchange of the said transactions as required under the CCG. Other than these, the directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the financial year.

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

Name of Company **BANNU WOOLLEN MILLS LIMITED**

Year Ending **JUNE 30, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:
 - a) Male 8
 - b) Female 1
2. The composition of board is as follows:
 - a) **Independent Director**
 - i. Mr. Ahmad Zeb Khan
 - ii. Mr. Abdul Rehman Qureshi
 - b) **Other Non-executive Directors**
 - i. Mr. Raza Kuli Khan Khattak
 - ii. Mr. Ahmad Kuli Khan Khattak
 - iii. Mr. Gohar Ayub Khan Syed Zubair Ahmad Shah
 - iv. Mr. Muhammad Kuli Khan Khattak
 - c) **Executive Directors**
 - i. Mrs. Shahnaz Sajjad Ahmad
 - ii. Mr. Mushtaq Ahmad Khan, FCA
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company except Mr. Raza Kuli Khan Khattak who is serving as director in over five listed companies including this Company. Due compliance shall be made by the Director within the stipulated time i.e by or before 31st December, 2018.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of the nine, seven Directors have either obtained certificate of Directors' Training Program or are exempted from the requirement of Directors' Training Program as per the clause 20(2) of these regulations. While the remaining two Directors will undertake the Directors' Training Program within the stipulated time.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Audit Committee

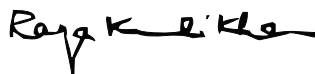
- | | | |
|------|-----------------------------|----------|
| i. | Mr. Ahmad Zeb Khan | Chairman |
| ii. | Mr. Ahmad Kuli Khan Khattak | Member |
| iii. | Mr. Abdul Rehman Qureshi | Member |

Human Resource and Remuneration Committee

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

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

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



(RAZA KULI KHAN KHATTAK)
Chairman

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **BANNU WOOLLEN MILLS LIMITED** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instance of non-compliance with the requirements of the Regulations was observed, which has not been stated in the Statement of Compliance:

- No member of the Board Audit Committee meets the requirement prescribed by clause 28(c) of the Regulations.

Based on our review, except for the above instance of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Shinewing Hameed Chaudhri & Co.

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

Audit Engagement Partner: Osman Hameed Chaudhri

LAHORE; September 27, 2018

Independent Auditor's Report

To the Members of Bannu Woollen Mills Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **Bannu Woollen Mills Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the matter described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The management has carried-out impairment testing of its investments in Associated Companies by calculating their recoverable amount using 'value-in-use' method. In applying the said method, the management has made certain estimates and used certain assumptions with which we do not concur. Refer note 8.5 to the financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our audit report.

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Company.</p> <p>Refer note 1, 2.1, 6.3, 6.5, 31.2, 36, 37 and 41 for changes in disclosures made through the Act, 2017.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act, 2017. - We discussed the applicable changes with the Company's management and those charged with governance as to whether the Company is in compliance with such changes. - We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance. - We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act, 2017.
2.	<p>Trade Debts</p> <p>As at June 30 2018, the Company's trade debtors were of Rs.364.030 million. There is an increase of approx. 98% over the last year. No provision has been recorded against any doubtful debts.</p> <p>Provision against doubtful debts is based on the management assessment. Judgement is exercised in determining the appropriate level of provision against balances which may not ultimately be recovered.</p> <p>We identified the recoverability of trade debts as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</p> <p>Refer to note 12 to the financial statements and the accounting policy in note 4.6 to the financial statements.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - We obtained credit policy with respect to debtors and assess the Company's compliance of its policy; - We sought external confirmations from the selected debtors of their balances that remained outstanding at the year end and compared replies to the request; - We tested the accuracy of data on sample basis extracted from the Company's accounting system which is used to calculate the ageing of trade debts; - We performed subsequent check of selected debtor balances to review recovery from debtors after the year end; and - We assessed the reasonableness of methods used by the management to estimate that the doubtful debts are appropriate and ensured that the same is applied consistently. <p>we assessed the appropriateness of the related disclosure made by the management in the Company's financial statements.</p>

S. No.	Description	How the matter was addressed in our audit
3.	<p>Staff Retirement Benefit - Gratuity</p> <p>The Company operates an unfunded staff retirement benefit gratuity plan. As at June 30, 2018 liability against the plan stood at Rs.70.973 million. During the year, the Company made certain changes in the gratuity plan which resulted in gain of Rs.62.254 million.</p> <p>The calculation of the liability requires judgement, technical expertise and use of key assumptions, including:</p> <ul style="list-style-type: none"> - discount rate - salary increase and inflation - expected remaining life of employees <p>The Company relies on an external Actuary to assess the reasonableness of assumptions and to assist in calculating the Company's liability. For the purpose of calculation of liability, data is prepared by the Company and then passed on to the actuary for calculation.</p> <p>As the process of calculation involves assumptions and judgement we identified this as a key audit matter. Refer to note 18, 18.3 and 41(a) to the financial statements.</p>	<p>We performed following audit procedures:</p> <p>We evaluated the competence, capabilities, independence and objectivity of the Actuary, obtained an understanding of the work performed and evaluated the appropriateness of the Actuary's work as an audit evidence.</p> <p>We checked whether the assumptions used by the Actuary in calculating the gratuity liability as at reporting date and charge for the year are reasonable and consistent with the industry.</p> <p>We also obtained reasonable assurance that the data provided by the management to the actuary was complete and accurate.</p> <p>We reviewed the Company's disclosure in the financial statements, including the Actuary's assumptions disclosed and found them to be appropriate in accordance with the applicable standards.</p>

Information Other than the Financial Statements and Auditors' Report thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The Engagement partner on the audit resulting in this independent auditors' report is Mr.Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.


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

LAHORE; September 27, 2018


STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

		(Restated)	(Restated)
		2017	July 01, 2016
ASSETS	2018		
Non-current assets	Note	---- Rupees in '000 ----	
Property, plant and equipment	6	1,089,739	1,119,852
Intangible assets	7	384	112
Investments in Associated Companies	8	1,134,680	1,169,315
Advances	9	-	937
Security deposits		2,994	3,344
		<u>2,227,797</u>	<u>2,293,560</u>
Current assets			2,318,011
Stores and spares	10	77,377	78,905
Stock-in-trade	11	619,289	617,366
Trade debts	12	364,030	184,080
Current portion of advances	9	1,792	916
Advances to employees - unsecured, considered good		18,092	14,363
Advance payments		965	10,428
Trade deposits and prepayments	13	423	1,682
Sales tax refundable		-	5,975
Income tax refundable, advance tax and tax deducted at source		20,875	31,455
Cash and bank balances	14	1,726	12,709
		<u>1,104,569</u>	<u>957,879</u>
TOTAL ASSETS		<u>3,332,366</u>	<u>3,251,439</u>
EQUITY AND LIABILITIES			3,066,663
Equity			
Authorized capital			
20,000,000 ordinary shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid-up capital	15	95,063	95,063
Reserves	16	923,500	884,500
Unappropriated profit		56,854	86,624
		<u>1,075,417</u>	<u>1,066,187</u>
Surplus on revaluation of property, plant and equipment	17	1,606,310	1,620,656
Shareholders' equity		<u>2,681,727</u>	<u>2,660,381</u>
Liabilities			
Non-current liabilities			
Staff retirement benefits - gratuity	18	70,973	203,118
Deferred taxation	19	68,048	75,492
		<u>139,021</u>	<u>278,610</u>
Current liabilities			
Trade and other payables	20	212,205	105,866
Unpaid dividends		3,419	3,218
Unclaimed dividends		3,202	2,792
Accrued mark-up		4,879	1,035
Short term finances	21	250,144	140,330
Current portion of demand finance		-	2,500
Taxation	22	37,769	32,745
		<u>511,618</u>	<u>285,986</u>
Total liabilities		<u>650,639</u>	<u>564,596</u>
Contingencies and commitments	23		406,282
TOTAL EQUITY AND LIABILITIES		<u>3,332,366</u>	<u>3,251,439</u>

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


Shahnaz Sajjad Ahmad
Chief Executive



Syed Zubair Ahmed Shah
Director


A. R. Tahir
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ---- Rupees in '000 ----	2017
Sales	24	838,619	793,305
Cost of sales	25	565,785	531,292
Gross profit		272,834	262,013
Distribution cost	26	79,795	49,730
Administrative expenses	27	60,735	103,879
Other expenses	28	10,993	9,494
Other income	29	(4,116)	(3,086)
		147,407	160,017
Profit from operations		125,427	101,996
Finance cost	30	17,552	4,103
		107,875	97,893
Share of loss of Associated Companies - net	8	(27,030)	(3,922)
Profit before taxation		80,845	93,971
Taxation	31	29,542	26,246
Profit after taxation		51,303	67,725
Other Comprehensive Income / (Loss)			
Items that will not be reclassified to profit or loss:			
- (loss) / gain on remeasurement of staff retirement benefit obligation	18	(2,279)	1,775
- share of other comprehensive (loss) / income of Associated Companies (net of taxation)	8	(5,686)	329
		(7,965)	2,104
Total Comprehensive Income		43,338	69,829
----- Rupees -----			
Earnings per share - basic and diluted	32	5.40	7.12

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


Shahnaz Sajjad Ahmad
Chief Executive

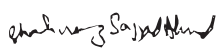

Syed Zubair Ahmed Shah
Director



A. R. Tahir
Chief Financial Officer


**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
	---- Rupees in '000 ----	
Cash flow from operating activities		
Profit for the year - before taxation and net share of loss on investments in Associated Companies	107,875	97,893
Adjustments for non-cash and other charges:		
Depreciation	39,610	40,938
Amortization	78	38
Unclaimed payable balances written-back	(706)	(112)
Staff retirement benefits - gratuity (net)	(134,424)	20,591
Mark-up on bank deposits and dealers' balances	(2,445)	(1,385)
Finance cost	17,552	4,103
Workers' welfare fund	2,592	2,295
Gain on sale of operating fixed assets	(188)	(560)
Profit before working capital changes	29,944	163,801
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	1,528	(12,191)
Stock-in-trade	(1,923)	(130,404)
Trade debts	(179,950)	(119,119)
Advances	(3,668)	(8,035)
Advance payments	9,463	(9,835)
Trade deposits and prepayments	1,259	(1,417)
Sales tax refundable	5,975	4,349
Increase in trade and other payables	104,453	4,340
	(62,863)	(272,312)
Cash used in operations	(32,919)	(108,511)
Taxes paid	(20,386)	(37,145)
Net cash used in operating activities	(53,305)	(145,656)
Cash flow from investing activities		
Fixed capital expenditure	(9,519)	(18,910)
Sale proceeds of operating fixed assets	210	1,347
Intangible assets purchased	(350)	-
Security deposits	350	(50)
Dividend received on investments	-	1,949
Mark-up received on bank deposits and dealers' balances	2,445	1,385
Net cash used in investing activities	(6,864)	(14,279)
Cash flow from financing activities		
Demand finances repaid	-	(2,500)
Short term finances - net	109,814	140,330
Dividend paid	(46,920)	(44,941)
Finance cost paid	(13,708)	(3,087)
Net cash generated from financing activities	49,186	89,802
Net decrease in cash and cash equivalents	(10,983)	(70,133)
Cash and cash equivalents - at beginning of the year	12,709	82,842
Cash and cash equivalents - at end of the year	1,726	12,709

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


Shahnaz Sajjad Ahmad
Chief Executive

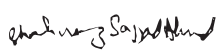

Syed Zubair Ahmed Shah
Director


A. R. Tahir
Chief Financial Officer


STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Capital	Reserves		Sub-total	Revaluation surplus on property, plant and equipment	Total
		Share premium	General	Unappropriated profit			
----- Rupees in '000 -----							
Balance as at July 01, 2016 - (as previously reported)	95,063	19,445	833,055	79,923	932,423	-	1,027,486
Effect of retrospective restatement due to change in accounting policy by the Company (note 5)	-	-	-	(1,886)	(1,886)	827,453	825,567
Share of revaluation surplus on property, plant and equipment of Associated Companies	-	-	-	-	-	807,328	807,328
Balance as at July 01, 2016 - restated	95,063	19,445	833,055	78,037	930,537	1,634,781	2,660,381
Transfer of reserves	-	-	32,000	(32,000)	-	-	-
Transaction with owners:							
Cash dividend at the rate of Rs.5 per ordinary share for the year ended June 30, 2016	-	-	-	(47,531)	(47,531)	-	(47,531)
Total comprehensive income for the year ended June 30, 2017:							
- profit for the year	-	-	-	67,725	67,725	-	67,725
- other comprehensive income	-	-	-	2,104	2,104	-	2,104
	-	-	-	69,829	69,829	-	69,829
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):							
- on account of incremental depreciation	-	-	-	8,501	8,501	(8,501)	-
- upon sale of revalued assets	-	-	-	226	226	(226)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	-	-	1,107	1,107
Share of revaluation surplus on property, plant and equipment of Associated Companies	-	-	-	-	-	(6,505)	(6,505)
Effect of items directly credited in equity by Associated Companies	-	-	-	9,562	9,562	-	9,562
Balance as at June 30, 2017 - restated	95,063	19,445	865,055	86,624	971,124	1,620,656	2,686,843
Transfer of reserves	-	-	39,000	(39,000)	-	-	-
Transaction with owners:							
Cash dividend at the rate of Rs.5 per ordinary share for the year ended June 30, 2017	-	-	-	(47,531)	(47,531)	-	(47,531)
Total comprehensive income for the year ended June 30, 2018:							
- profit for the year	-	-	-	51,303	51,303	-	51,303
- other comprehensive loss	-	-	-	(7,965)	(7,965)	-	(7,965)
	-	-	-	43,338	43,338	-	43,338
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)							
- on account of incremental depreciation (net of deferred taxation)	-	-	-	7,749	7,749	(7,749)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	-	-	996	996
Share of revaluation surplus on property, plant and equipment of Associated Companies	-	-	-	-	-	(7,593)	(7,593)
Effect of items directly credited in equity by Associated Companies	-	-	-	5,674	5,674	-	5,674
Balance as at June 30, 2018	95,063	19,445	904,055	56,854	980,354	1,606,310	2,681,722

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


Shahnaz Sajjad Ahmad
Chief Executive


Syed Zubair Ahmed Shah
Director


A. R. Tahir
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND OPERATIONS

Bannu Woollen Mills Limited (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of woollen yarn, cloth and blankets.

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

Bannu D.I Khan Road	Purpose Registered office / Mills
Rawalpindi Gammon House, Peshawar Road	Retail outlet

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

(a) Property, plant and equipment

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

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

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

(c) Provision for impairment of trade debts

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

(d) Staff retirement benefits - gratuity

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

(e) Income taxes

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

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

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on July 01, 2017 and are considered to be relevant to the Company's operations:

- (a)** Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b)** IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The amendment does not have any impact on the Company's financial statements.

- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 5 to these financial statements.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 01, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (b) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company is assessing the impact of these changes on its financial statements.
- (c) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is yet to assess the impact of this standard on its financial statements.

- (d) IFRIC 23, 'Uncertainty over income tax treatments' is applicable to accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation on its financial statements.
- (e) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

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

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

Depreciation is taken to statement of profit or loss applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in Note 6.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

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

4.2 Intangible assets and amortization thereon

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization. Amortization is taken to statement of profit and loss applying straight-line method to amortize the cost of intangible assets over their estimated useful life. Rate of amortization is stated in note 7.1.

4.3 Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognized at cost. The Company's share of post acquisition profit or loss is recognised in the statement of profit and loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. Distributions received from Associated Companies reduce the carrying amount of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognized in the Associated Companies' statement profit or loss. The Company's share of those changes is recognized directly in equity of the Company.

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

4.4 Stores and spares

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

4.5 Stock-in-trade

Basis of valuation are as follows:

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

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

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

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

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash-in-hand and balances with banks.

4.8 Borrowings and borrowing cost

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

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

4.9 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2018 on the basis of the projected unit credit method by an independent Actuary.

4.10 Trade and other payables

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

4.11 Provisions

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

4.12 Taxation

(a) Current

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

(b) Deferred

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

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

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

4.13 Dividend and appropriation to reserves

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

4.14 Financial instruments

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

4.15 Off-setting

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

4.16 Foreign currency translation

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

4.17 Revenue recognition

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

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

4.18 Impairment of non-financial assets

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

4.19 Segment reporting

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

5. CHANGE IN ACCOUNTING POLICY

Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the surplus on revaluation of property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984. This specific section in the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Further, this treatment was not in line with the requirements of IFRS. This change has impacted the accounting policy of the Company related to surplus on revaluation of property, plant and equipment, and now the Company is following the accounting treatment and presentation of surplus on revaluation of property, plant and equipment, prescribed by IAS 16, 'Property, plant and equipment'. Accordingly, the surplus on revaluation of property, plant and equipment is now shown in the statement of financial position as a part of equity.

Further, due to the above referred change in Companies Act, 2017, the Associated Companies Babri Cotton Mills Ltd. (BCM) and Janana De Malucho Textile Mills Ltd. (JDM) also changed their accounting policy and reclassified Surplus on revaluation of property, plant and equipment to equity. This resulted in restatement of the financial statements of the Associated Companies. The Company measures its investments in these Associated Companies by applying equity method of accounting. Restatement of equities in the financial statements of BCM and JDM resulted in restatement of carrying amount of investment in Associated Companies accounted for by the Company by applying equity method of accounting.

The change in accounting policy of the Company and the effect of restatement of financial statements of the Associated Companies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As previously reported	Re- statement	As restated
	----- Rupees in '000 -----		
As at June 30, 2017			
Effect on statement of financial position			
Investments in Associated Companies	369,131	800,184	1,169,315
Surplus on revaluation surplus on property, plant and equipment	819,833	800,823	1,620,656
Shareholder's equity	1,066,826	1,620,017	2,686,843
Effect on statement of changes in equity			
Revaluation surplus on property, plant and equipment	-	1,620,656	1,620,656
Unappropriated profit	87,263	(639)	86,624
As at June 30, 2016			
Effect on statement of financial position			
Investments in Associated Companies	366,358	805,442	1,171,800
Surplus on revaluation surplus on property, plant and equipment	827,453	807,328	1,634,781
Shareholder's equity	1,027,486	1,632,895	2,660,381
Effect on statement of changes in equity			
Revaluation surplus on property, plant and equipment	-	1,634,781	1,634,781
Unappropriated profit	79,923	(1,886)	78,037

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 ---- Rupees in '000 ----	2017
Operating fixed assets - tangible	6.1	1,089,739	1,113,060
Capital work-in-progress	6.7	-	6,792
		1,089,739	1,119,852

6.1 Operating fixed assets

Particulars	Buildings on freehold land				Plant & machinery	Weighment and material handling equipment	Tools and equipment	Furniture and fixtures	Electric fittings	Office equipment	Computers and T.V.	Vehicles	Arms	Total
	Freehold land	Factory	Residential	Others										
----- Rupees in '000 -----														
As at July 01, 2016														
Cost / revaluation	742,500	35,102	15,109	26,853	559,339	299	30	1,169	6,960	1,070	4,373	30,976	4,016	1,427,796
Accumulated depreciation	-	8,843	659	223	265,779	254	17	514	3,902	409	2,803	21,392	1,306	306,101
Book value	742,500	26,259	14,450	26,630	293,560	45	13	655	3,058	661	1,570	9,584	2,710	1,121,695
Year ended June 30, 2017:														
Additions	-	762	-	-	30,386	108	15	354	187	172	1,106	-	-	33,090
Disposal:														
-cost / revaluation	-	-	-	-	1,244	-	-	-	-	103	-	1,790	-	3,137
-depreciation	-	-	-	-	917	-	-	-	-	35	-	1,398	-	2,350
	-	-	-	-	327	-	-	-	-	68	-	392	-	787
Depreciation for the year	-	2,635	1,445	2,663	30,998	13	2	85	309	67	606	1,844	271	40,938
Book value	742,500	24,386	13,005	23,967	292,621	140	26	924	2,936	698	2,070	7,348	2,439	1,113,060
Year ended June 30, 2018:														
Additions	-	-	-	2,081	9,810	-	-	575	591	181	1,168	1,905	-	16,311
Disposals:														
- cost / revaluation	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000
- depreciation	-	-	-	-	-	-	-	-	-	-	-	978	-	978
	-	-	-	-	-	-	-	-	-	-	-	22	-	22
Depreciation for the year	-	2,439	1,301	2,466	29,941	14	2	141	333	80	833	1,816	244	39,610
Book value	742,500	21,947	11,704	23,582	272,490	126	24	1,358	3,194	799	2,405	7,415	2,195	1,089,739
As at June 30, 2017														
Cost / revaluation	742,500	35,864	15,109	26,853	588,481	407	45	1,523	7,147	1,139	5,479	29,186	4,016	1,457,749
Accumulated depreciation	-	11,478	2,104	2,886	295,860	267	19	599	4,211	441	3,409	21,838	1,577	344,689
Book value	742,500	24,386	13,005	23,967	292,621	140	26	924	2,936	698	2,070	7,348	2,439	1,113,060
As at June 30, 2018														
Cost / revaluation	742,500	35,864	15,109	28,934	598,291	407	45	2,098	7,738	1,320	6,647	30,091	4,016	1,473,060
Accumulated depreciation	-	13,917	3,405	5,352	325,801	281	21	740	4,544	521	4,242	22,676	1,821	383,321
Book value	742,500	21,947	11,704	23,582	272,490	126	24	1,358	3,194	799	2,405	7,415	2,195	1,089,739
Depreciation rate (%)		10	10	10	10	10	10	10	10	10	30	20	10	

6.2 Disposal of operating fixed assets

Particulars	Cost / revalu- ation	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Sold to:
----- Rupees in '000 -----							
Vehicle							
Nissan Sunny	1,000	978	22	210	188	Negotiation	Mr. Abdul Qadeer, Kasure.
2017	3,137	2,350	787	1,347	560		

6.3 Freehold land represents 83,466.405 square meters of land situated at D I Khan Road, Bannu.

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

	2018	2017
	---- Rupees in '000 ----	
Freehold land	152	152
Buildings on freehold land	17,724	17,459
Plant & machinery	212,372	225,823
	230,248	243,434

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

6.6 Depreciation for the year has been apportioned as under:

	2018	2017
	---- Rupees in '000 ----	
Cost of sales	32,730	33,957
Administrative expenses	6,880	6,981
	39,610	40,938

6.7 Capital work-in-progress

Plant and machinery	-	5,992
Advance payment for purchase of vehicle	-	800
	-	6,792

7. INTANGIBLE ASSETS - Computer software

Cost at beginning of the year	188	188
Additions during the year	350	-
Less: amortization :		
- opening balance	76	38
- charge for the year	78	38
- as at June 30,	154	76
Book value as at June 30 ,	384	112

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

8. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

	Note	2018	2017	2016
		---- Rupees in '000 ----		
		(Re-stated)	(Re-stated)	(Re-stated)
Babri Cotton Mills Ltd. (BCM)				
144,421 ordinary shares of Rs.10 each - cost		1,632	1,632	1,632
Equity held: 3.95%				
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BCM		22,181	22,266	22,897
Loss for the year - net of taxation		(5,494)	(1,171)	(1,284)
Share of other comprehensive (loss) / income - net of taxation		(450)	286	(38)
Share of revaluation surplus on property, plant and equipment		36,208	36,866	37,379
		54,077	59,879	60,586
Janana De Malucho Textile Mills Ltd. (JDM)				
1,559,230 ordinary shares of Rs.10 - cost		27,762	27,762	27,762
Equity held: 32.59%				
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM		322,591	322,374	318,812
Dividend received		-	(1,949)	(2,339)
(Loss) / profit for the year - net of taxation		(21,536)	(2,751)	3,107
Share of other comprehensive (loss) / income - net of taxation		(5,236)	43	(6,077)
Share of revaluation surplus on property, plant and equipment		757,022	763,957	769,949
		1,080,603	1,109,436	1,111,214
		1,134,680	1,169,315	1,171,800

- 8.1** Although the Company has less than 20 % voting rights in BCM as at June 30, 2018 and 2017, it is presumed that the Company has significant influence over BCM due to majority representation on the board of directors of BCM.
- 8.2** Market values of the Company's investments in BCM and JDM as at June 30, 2018 were Rs.7.365 million (2017: Rs.11.698 million) and Rs.99.993 million (2017: Rs.155.923 million) respectively.
- 8.3** BCM was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of BCM based on its audited financial statements for the year ended June 30, 2018 is as follows:

	2018	2017	2016
Summarized Statement of financial position	---- Rupees in '000 ----		
Non-current assets	1,822,181	1,766,877	1,802,278
Current assets	815,533	723,756	457,202
	2,637,714	2,490,633	2,259,480
Deferred income	-	2,100	5,698
Non-current liabilities	231,432	201,518	253,712
Current liabilities	1,037,531	771,525	467,423
	1,268,963	975,143	726,833
Net assets	1,368,751	1,515,490	1,532,647
Reconciliation to carrying amount			
Opening net assets	1,515,490	1,532,647	607,039
Loss for the year	(138,936)	(29,296)	(32,461)
Revaluation surplus on property, plant and equipment	-	-	945,247
Other comprehensive (loss) / income for the year	(11,370)	7,222	(961)
Other adjustments	3,567	4,917	13,783
Closing net assets	1,368,751	1,515,490	1,532,647
Company's share percentage 3.95% (2017: 3.95%)			
Company's share	54,066	59,862	60,540
Miscellaneous adjustments	11	17	46
Carrying amount of investment	54,077	59,879	60,586
Summarized Statement of profit or loss			
Sales	1,890,012	1,649,638	1,444,247
Loss before taxation	162,550	48,121	49,850
Loss after taxation	(138,936)	(29,296)	(32,461)

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

The summary of financial information of JDM based on its audited financial statements for the year ended June 30, 2018 is as follows:

Summarized Statement of financial position	2018	2017	2016
	---- Rupees in '000 ----		
Non-current assets	3,545,486	3,635,420	3,583,772
Current assets	1,542,192	1,285,961	869,769
	5,087,678	4,921,381	4,453,541
Non-current liabilities	261,225	396,031	433,925
Current liabilities	1,506,888	1,120,964	607,450
	1,768,113	1,516,995	1,041,375
Net assets	3,319,565	3,404,386	3,412,166
Reconciliation to carrying amount			
Opening net assets	3,404,386	3,412,166	1,044,159
(Loss) / profit for the year	(74,398)	(8,444)	9,533
Dividend paid during the year	-	(5,981)	(7,177)
Revaluation surplus on property, plant and equipment	-	-	2,362,736
Other comprehensive (loss) / income for the year	(16,068)	132	(18,650)
Other adjustments	5,645	6,513	21,565
Closing net assets	3,319,565	3,404,386	3,412,166
Company's share percentage 32.59% (2017: 32.59%)			
Company's share	1,081,846	1,109,489	1,112,025
Miscellaneous adjustments	(1,243)	(53)	(811)
Carrying amount of investment	1,080,603	1,109,436	1,111,214
Summarized Statement of profit or loss			
Sales	2,782,025	2,515,643	2,497,962
(Loss) / profit before taxation	(73,217)	(21,538)	10,753
(Loss) / profit after taxation	(74,398)	(8,444)	9,533

- 8.5** The management, as at June 30, 2018, has carried out impairment testing of its investments in the Associated Companies as required under IAS 36, 'Impairment of Assets'. The recoverable amount of investments in BCM and JDM amounted Rs.57.986 million and Rs.1,117 million respectively. The recoverable amounts of investments have been determined using the 'value-in-use' computations. In assessing the value in use, estimated future cash flows have been discounted to their present value using pre-tax discount rates that reflects current market assessments of the time value of money. The pre-tax discount rates applied to cash flow projections by BCM and JDM are 6.13% (2017: 6.13%) and 7.95% (2017: 9.23%) respectively. As a result of the aforementioned impairment testing, the management has concluded that the carrying values of investments in Associated Companies do not exceed the recoverable amounts.

9. ADVANCES - Unsecured	Note	2018	2017
Advances against salary		---- Rupees in '000 ----	
Opening balance		1,853	180
Add: advances made during the year		624	2,000
Less: deductions made during the year		(685)	(327)
		<u>1,792</u>	<u>1,853</u>
Less: recoverable within the following twelve months		(1,792)	(916)
Closing balance		<u>-</u>	<u>937</u>
10. STORES AND SPARES			
Stores		29,933	34,308
Spares		49,444	46,597
	10.1	<u>79,377</u>	<u>80,905</u>
Less: provision for slow moving stores and spares		2,000	2,000
		<u>77,377</u>	<u>78,905</u>

10.1 Inventory valuing Rs.5,254 thousand was in transit as at June 30, 2018; (2017: Rs.1,355 thousand).

10.2 The Company does not hold any stores and spares for specific capitalization.

11. STOCK-IN-TRADE	Note	2018	2017
		---- Rupees in '000 ----	
Raw materials:			
- at warehouse	11.1 & 11.2	184,491	182,493
- in transit		77	29,375
		<u>184,568</u>	<u>211,868</u>
Work-in-process		29,217	28,879
Finished goods			
- own manufactured	11.2	389,745	350,606
- trading goods		15,759	26,013
		<u>405,504</u>	<u>376,619</u>
		<u>619,289</u>	<u>617,366</u>

11.1 Preceding year's raw material inventories included inventories costing Rs.62.899 million, which were stated at net realizable value; the amount charged to statement of profit or loss in respect of inventories write down to net realizable was Rs.5.519 million approximately.

11.2 Raw material and finished good inventories as at June 30, 2018 are pledged with National Bank of Pakistan (NBP) as security for short term finance facilities (note 21).

12. TRADE DEBTS - Unsecured - Considered good

Mark-up has been charged on the balances due after normal credit term and grace period at the rates applicable on short term finance facilities as disclosed in note 21.

13. TRADE DEPOSITS AND PREPAYMENTS

	Note	2018 ---- Rupees in '000 ----	2017
Letter of credit		30	1,682
Others		393	-
		423	1,682

14. CASH AND BANK BALANCES

Cash-in-hand		821	365
Cash at banks on:			
- current accounts		152	5,683
- dividend accounts		563	580
- PLS accounts	14.1	190	6,081
		905	12,344
		1,726	12,709

14.1 These carry profit at the rates ranging from 2.40% to 3.75% (2017: 3.75% to 4.50%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
----	----		----	----
Numbers	Numbers		Rupees in '000	Rupees in '000
2,259,375	2,259,375	Ordinary shares of Rs.10 each fully paid in cash	22,594	22,594
7,246,875	7,246,875	Ordinary shares of Rs.10 each issued as fully paid bonus shares	72,469	72,469
9,506,250	9,506,250		95,063	95,063

15.1 Ordinary shares held by the**Associated Companies at the year-end:**

Janana De Malucho Textile Mills Ltd.

Bibojee Services (Pvt.) Ltd.

The Universal Insurance Company Ltd.

2018	2017
- - Number of shares - -	- - Number of shares - -
731,626	731,626
2,497,872	2,497,872
8,940	8,940
3,238,438	3,238,438

16. RESERVES**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

Revenue - general reserve

19,445 19,445

904,055 865,055

923,500 **884,500**

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

		2018	(Restated) 2017	(Restated) 2016
	Note	---- Rupees in '000 ----		
Surplus on revaluation of the Company's property, plant and equipment	17.1 & 17.2	813,080	819,833	827,453
Share of surplus on revaluation of property, plant and equipment of Associated Companies		793,230	800,823	807,328
		1,606,310	1,620,656	1,634,781

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

17.2 Latest revaluation exercise was carried out by the Company, as at May 31, 2016. The revaluation exercise was carried-out by independent Valuers - M/s AXIS Consultants (SMC) Pvt. Ltd., Architects, Engineers and approved Surveyors, Deans Trade Centre, Peshawar Cantt. Freehold land was revalued on the basis of current market value whereas buildings on freehold land and plant & machinery were revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.288.961 million was credited to this account. The year-end balance has been arrived at as follows:

	2018	2017	2016
	---- Rupees in '000 ----		
Opening balance	853,043	865,690	586,211
Add: surplus arisen on revaluation carried-out during the preceding year	-	-	288,961
Less: transferred to unappropriated profit :			
- on account of incremental depreciation for the year	(11,070)	(12,320)	(9,482)
- upon sale of revalued assets	-	(327)	-
	841,973	853,043	865,690
Less: deferred tax on:			
- opening balance of surplus	33,210	38,237	29,236
- surplus arisen during the preceding year	(3,321)	-	13,268
- incremental depreciation for the year	-	(3,819)	(3,034)
- sale of revalued assets	-	(101)	-
	29,889	34,317	39,470
	812,084	818,726	826,220
Resultant adjustment due to reduction in tax rate	996	1,107	1,233
Closing balance	813,080	819,833	827,453

18. STAFF RETIREMENT BENEFITS - Gratuity

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

Significant actuarial assumptions	2018	2017
- discount rate	9.00%	7.75%
- expected rate of growth per annum in future salaries	8.00%	6.75%
- mortality rates	SLIC	SLIC
	2001-2005	2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

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

The movement in the present value of defined benefit obligation is as follows:		2018	2017
	Note	---- Rupees in '000 ----	
Opening balance		203,118	185,062
Current service cost		10,002	13,090
Interest cost		4,569	14,087
Benefits paid		(16,849)	(6,586)
Staff retirement benefit due but unpaid - classified as current liability	18.3	(69,892)	-
Gain on plan curtailment	18.3	(62,254)	-
Remeasurements:			
- experience adjustments		2,070	(2,535)
- loss due to changes in financial assumptions		209	-
Closing balance		70,973	203,118
(Income) / expense recognized in statement of profit or loss :			
Current service cost		10,002	13,090
Interest cost		4,569	14,087
Gain on plan curtailment		(62,254)	-
		(47,683)	27,177
Remeasurement recognized in other comprehensive income			
Experience adjustments		2,279	(1,775)

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

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

	2018	2017	2016	2015	2014
	----- Rupees in thousand -----				
Present value of defined benefit obligation	70,973	203,118	185,062	160,505	139,163
Experience adjustment on obligation	2,279	(1,775)	2,332	-	(322)
Year-end sensitivity analysis:		Impact on defined benefit obligation			
		Change in assumption	Increase	Decrease	
		Rupees in thousand			
Discount rate		1%	64,722	78,341	
Salary growth rate		1%	78,451	64,517	

18.4 The average duration of the defined benefit obligation as at June 30, 2018 is 9.6 years.

18.5 The expected contribution to defined benefit obligation for the year ending June 30, 2019 is Rs.16.455 million.

19. DEFERRED TAXATION - Net

	Note	2018 ---- Rupees in '000 ----	2017
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		39,736	42,883
- surplus on revaluation of property, plant & equipment		28,892	33,209
		<u>68,628</u>	<u>76,092</u>
Deductible temporary differences arising in respect of provision against slow moving stores and spares			
		(580)	(600)
		<u>68,048</u>	<u>75,492</u>

20. TRADE AND OTHER PAYABLES

Due to a related party - Gammon Pakistan Ltd.		-	840
Creditors		21,218	7,136
Bills payable	20.1	4,955	17,054
Advances from customers		3,305	4,921
Security deposits - interest free, repayable on demand	20.2	5,700	5,700
Accrued expenses		66,453	53,724
Workers' (profit) participation fund	20.4	5,955	5,369
Due to Waqf-e-Kuli Khan	28.1	5,524	3,543
Tax deducted at source		4,287	436
Workers' welfare fund		7,142	6,774
Staff provident fund payable		12,587	-
Sales tax payable		4,792	-
Staff retirement benefit (gratuity) due but unpaid	18.3 & 20.3	69,892	-
Others		395	369
		<u>212,205</u>	<u>105,866</u>

20.1 These are secured against the securities as detailed in note 21.

20.2 These represents interest free security deposits received from the Company's dealers. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the dealers.

20.3 Upon introduction of Staff Provident Fund during the year; gratuity benefits payable have been reclassified and grouped under current liabilities. Further these include Rs.50.271 million payable to Key Management Personnel.

20.4 Workers' (profit) participation fund (the Fund)*

	2018 ---- Rupees in '000 ----	2017
Opening balance	5,369	5,415
Less: payments made during the year	5,332	5,415
	<u>37</u>	<u>-</u>
Add: allocation for the year	5,918	5,369
	<u>5,955</u>	<u>5,369</u>

* The Fund's audit for the year ended June 30, 2017 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

21. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.270 million (2017: Rs.270 million). NBP, during the year, charged mark-up on these finance facilities at the rates ranging from 8.13% to 8.50% (2017: 8.03% to 8.12%) per annum; mark-up is payable on quarterly basis. Facilities available for opening letters of credit aggregate Rs.100 million (2017: Rs.100 million) out of which the amount remained unutilized at the year-end was Rs.88.023 million (2017: Rs.72.148 million). The aggregate facilities are secured against pledge of stocks, first charge on current and fixed assets of the Company for Rs.193.333 million and Rs.280.333 million respectively and lien on import documents. These facilities are available upto December 31, 2018.

22. TAXATION - Net

	2018	2017
	---- Rupees in '000 ----	
Opening balance	32,745	31,659
Add: provision made during the year:		
- current [net of tax credit under section 65B of the Ordinance amounting Rs.1.058 million (2017: Rs.3.087 million)]	37,040	32,016
- prior year	(1,050)	344
	35,990	32,360
Less: payments / adjustments made during the year against completed assessments	30,966	31,274
Closing balance	37,769	32,745

22.1 Income tax assessments of the Company have been completed upto the tax year 2017 i.e. accounting year ended June 30, 2017.

22.2 The Company's writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) is still pending adjudication. An adverse judgment by the Court will create tax liability under section 113 of the Ordinance aggregating Rs.14.417 million.

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

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

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

- 22.5** The Commissioner Inland Revenue - Appeals (CIRA) for the tax year 2008 has decided the appeal in the Company's favour and deleted the demand of Rs.4.368 million. The Department has filed further appeal before the ATIR, which is pending adjudication.
- 22.6** The Department for the tax year 2009 had charged tax under section 122(5A) of the Ordinance amounting Rs.3.553 million against which the Company filed an appeal with the CIRA, who decided the appeal against the Company. The Company as well as the Department have filed further appeals before the ATIR, which are pending adjudication.
- 22.7** The Department for the tax year 2013 had charged tax under section 221 of the Ordinance (Rectification of mistakes) amounting Rs.28.673 million against which the Company filed an appeal before the CIRA, who decided the appeal against the Company. The Company as well as the Department have filed further appeals before the ATIR, which are pending adjudication. The Company, however, has paid the whole of the demand and no further provision is required.
- 22.8** The Assessing Officer during the preceding year had imposed tax amounting Rs.972 thousand for late filing of statements under sections 165/182 of the Ordinance for some of the months of tax year 2016. The Company had filed an appeal before the CIRA, who decided the case in favor of the Company. The Department against the said order filed an appeal before the ATIR, which is pending adjudication.

23. CONTINGENCIES AND COMMITMENTS

23.1 Refer contents of notes 22.2 to 22.8.

23.2 Commitment against irrevocable letters of credit for:

	2018 ---- Rupees in '000 ----	2017 ---- Rupees in '000 ----
- raw materials	7,022	5,409
- store and spare parts	-	4,372
	<u>7,022</u>	<u>9,781</u>

23.3 Commitment against purchase of a vehicle amounts to Rs. nil (2017: Rs.1.017 million) as at June 30, 2018.

24. SALES - net

	2018 ---- Rupees in '000 ----	2017 ---- Rupees in '000 ----
Own manufactured:		
Fabrics and blankets	876,474	829,881
Waste	687	1,479
	<u>877,161</u>	<u>831,360</u>
Goods purchased for resale:		
Fabric lawn	23,099	6,439
	<u>900,260</u>	<u>837,799</u>
Less: sales tax	61,641	44,494
	<u>838,619</u>	<u>793,305</u>

25. COST OF SALES

		2018	2017
	Note	---- Rupees in '000 ----	
Raw materials consumed	25.1	246,046	272,343
Salaries, wages and benefits	25.2	181,672	191,409
Power and fuel		48,631	44,645
Stores and spares consumed		21,503	24,132
Repair and maintenance		28,668	18,953
Depreciation	6.6	32,730	33,957
Insurance		3,130	3,130
Others		2,025	1,708
		<u>564,405</u>	<u>590,277</u>
Adjustment of work-in-process			
Opening		28,879	36,524
Closing	11	(29,217)	(28,879)
		<u>(338)</u>	<u>7,645</u>
Cost of goods manufactured		<u>564,067</u>	<u>597,922</u>
Adjustment of finished goods			
Opening stock		350,606	278,774
Closing stock	11	(389,745)	(350,606)
		<u>(39,139)</u>	<u>(71,832)</u>
Cost of goods sold -own manufactured		<u>524,928</u>	<u>526,090</u>
Cost of goods sold -goods purchased for resale			
Opening stock		26,013	-
Purchases		30,603	31,215
Less: closing stock	11	(15,759)	(26,013)
		<u>40,857</u>	<u>5,202</u>
		<u>565,785</u>	<u>531,292</u>

25.1 Raw materials consumed

Opening stock		211,868	171,664
Add: purchases		218,746	312,547
		<u>430,614</u>	<u>484,211</u>
Less: closing stock	11	184,568	211,868
		<u>246,046</u>	<u>272,343</u>

25.2 Salaries, wages and benefits include Rs.2.956 million (2017: Rs.Nil) in respect of staff provident fund. With respect to staff retirement benefits - gratuity an amount of Rs.13.771 million has been netted-off against the expenses (2017: an amount of Rs.12.258 million included in the expenses).

26. DISTRIBUTION COST

		2018	2017
	Note	---- Rupees in '000 ----	
Commission		32,861	27,431
Travelling		967	2,393
Rent		16,095	2,283
Salaries and benefits	26.1	13,379	9,655
Outward freight		408	87
Advertisement and sales promotion		7,424	5,268
Communication		488	318
Repair and maintenance		6,985	851
Vehicles' running		459	407
Others		729	1,037
		<u>79,795</u>	<u>49,730</u>

26.1 Salaries and benefits include Rs.66 thousand (2017: Rs.Nil) in respect of staff provident fund. With respect to staff retirement benefits - gratuity an amount of Rs.238 thousand has been netted-off against the expenses (2017: an amount of Rs.339 thousand included in the expenses).

27. ADMINISTRATIVE EXPENSES

	Note	2018 ---- Rupees in '000 ----	2017
Salaries and benefits	27.1	30,450	76,826
Travelling - directors		185	177
- others		716	554
Rent, rates and taxes		1,261	1,089
Entertainment / guest house expenses		3,557	2,338
Communication		956	961
Printing and stationery		899	969
Electricity		4,319	4,504
Insurance		549	86
Repair and maintenance		3,218	3,099
Vehicles' running		3,951	3,433
Advertisement		178	258
Subscription / papers and periodicals		598	510
Depreciation	6.6	6,880	6,981
Amortization		78	38
Auditors' remuneration:			
- statutory audit		923	799
- half yearly review		173	150
- consultancy charges		184	92
- certification charges		21	15
- out-of-pocket expenses		45	30
		1,346	1,086
Legal and professional charges (other than Auditors)		1,594	970
		60,735	103,879

27.1 Salaries and benefits include Rs.3.271 million (2017: Rs.Nil) in respect of staff provident fund. With respect to staff retirement benefits - gratuity an amount of Rs.33.675 million has been netted-off against the expenses (2017: an amount of Rs.14.580 million included in the expenses).

28. OTHER EXPENSES

	Note	2018 ---- Rupees in '000 ----	2017
Donation to Waqf-e-Kuli Khan	28.1	1,981	1,827
Workers' (profit) participation fund	20.4	5,918	5,369
Workers' welfare fund		2,592	2,295
Donations (without directors' interest)		-	3
Exchange fluctuation loss-net		502	-
		10,993	9,494

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

- | | |
|-------------------------------|-------------------------------|
| - Mr. Raza Kuli Khan Khattak | - Mr. Mushtaq Ahmad Khan, FCA |
| - Mr. Ahmad Kuli Khan Khattak | - Mrs. Shahnaz Sajjad Ahmad |

29. OTHER INCOME		2018	2017
Income from financial assets	Note	---- Rupees in '000 ----	
Mark-up earned on:			
- PLS accounts		806	1,144
- dealers' balances		1,639	241
Exchange fluctuation gain-net		-	134
		<u>2,445</u>	<u>1,519</u>
Income from other than financial assets			
Sale of empties / scrap		777	895
Unclaimed payable balances written-back		706	112
Gain on sale of operating fixed assets		188	560
		<u>1,671</u>	<u>1,567</u>
		<u>4,116</u>	<u>3,086</u>
30. FINANCE COST			
Mark-up on:			
- demand finances		-	20
- short term finances		17,372	3,901
Bank charges		180	182
		<u>17,552</u>	<u>4,103</u>
31. TAXATION			
Current:			
- for the year		37,040	32,016
- for prior year		<u>(1,050)</u>	<u>344</u>
	22	<u>35,990</u>	32,360
Deferred:			
- for the year		<u>(7,444)</u>	<u>(7,221)</u>
- resultant adjustment due to reduction in tax rate	17	<u>996</u>	<u>1,107</u>
		<u>(6,448)</u>	<u>(6,114)</u>
		<u>29,542</u>	<u>26,246</u>
31.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		<u>80,845</u>	93,971
Tax calculated at the applicable rate of 30% (2017: 31%)		<u>24,254</u>	29,131
Tax effect of accounting and tax depreciation		5,143	3,894
Effect of final tax regime		-	244
Prior year's adjustment		<u>(1,050)</u>	344
Tax credit under section 65B of the Income Tax Ordinance, 2001		<u>(1,058)</u>	<u>(3,087)</u>
Tax effect of share of (loss) / profit on investments in Associated Companies		<u>8,379.00</u>	1,216
Deferred tax		<u>(7,444)</u>	<u>(7,221)</u>
Effect on opening balance of deferred taxation due to reduction in tax rate		996	1,107
Effect of exempt income		-	352
Others		<u>322</u>	<u>266</u>
Tax charge for the year		<u>29,542</u>	<u>26,246</u>

- 31.2** As per the management, they have provided sufficient tax provision in the financial statement as per the applicable provisions of the Ordinance. A comparison of last three years of income tax provision as per the financial statements with the tax assessed is presented below:

	2017	2016	2015
	---- Rupees in '000 ----		
Income tax provision for the year - accounts	32,016	30,930	38,589
Income tax as per deemed assessment	30,966	31,274	38,635

32. EARNINGS PER SHARE

	2018	2017
	---- Rupees in '000 ----	
There is no dilutive effect on earnings per share of the Company, which is based on:		
Profit after taxation attributable to ordinary shareholders	51,303	67,725
	- - - No. of shares - - -	
Weighted average number of shares in issue during the year	9,506,250	9,506,250
	----- Rupees -----	
Earnings per share - basic	5.40	7.12

33. FINANCIAL RISK MANAGEMENT

33.1 Financial Risk Factors

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

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

33.2 Market risk

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

(a) Currency risk

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

	2018	2017
	---- Rupees in '000 ----	
Funded:		
Bills payable - Euro 35,000 (2017: U.S.\$ 162,415)	4,955	17,054
Unfunded:		
Outstanding letters of credit - U.S.\$ 57,750 (2017: U.S.\$ 93,149)	7,022	9,781
Total exposure	11,977	26,835

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
U.S. \$ to Rupee	109.75	104.89	121.60	105.00
Euro to Rupee	151.90	-	141.57	-

Sensitivity analysis

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

Effect on profit for the year:

Euro and U.S. \$ to Rupee	496	1,705
---------------------------	-----	-------

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

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

(b) Interest rate risk

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

	Effective rate		Rupees in '000	
	2018 %	2017 %	2018 Carrying amount	2017 Carrying amount
Financial assets				
Bank balances	2.40 to 3.75	3.75 to 4.5	190	6,081

Variable rate instruments

Financial liabilities

Short term finances	8.13 to 8.50	8.03 to 8.12	250,144	140,330
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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2018, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs.2,501 thousand (2017: Rs.1,403 thousand) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

33.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from trade debts and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 60 days to reduce the credit risk. The credit quality of the Company's major bank balances can be assessed with reference to the external credit ratings as follows:

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

Exposure to credit risk

Maximum exposure to credit risk as at June 30, 2018 along with comparative is tabulated below:

	2018	2017
	--- Rupees in '000 ---	
Security deposits	2,994	3,344
Trade debts	364,030	184,080
Bank balances	905	12,344
	367,929	199,768

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

	2018	2017
	--- Rupees in '000 ---	
The ageing of trade debts at the year-end was as follows:		
Not past due	214,788	92,081
Past due 1 - 30 days	10,992	2,457
Past due 30 - 150 days	48,977	23,077
Past due above 150 days	89,273	66,465
	364,030	184,080

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

33.4 Liquidity risk

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

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

	Carrying amount	Contractual cash flows having maturity of less than one year
June 30, 2018	---- Rupees in '000 ----	
Trade and other payables	110,866	110,866
Accrued mark-up	4,879	4,879
Short term finances	250,144	260,775
	365,889	376,520
June 30, 2017		
Trade and other payables	94,376	94,376
Accrued mark-up	1,035	1,035
Short term finances	140,330	146,027
	235,741	241,438

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

34. MEASUREMENT OF FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

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

Financial assets not measured at fair value

	2018	2017
	---- Rupees in '000 ----	
	Carrying amount	
Trade debts	364,030	184,080
Bank balances	905	12,344
	<u>364,935</u>	<u>196,424</u>

Financial liabilities not measured at fair value

Creditors	<u>21,218</u>	<u>7,136</u>
-----------	---------------	--------------

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

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

	Short term finances	Dividend paid	Accrued interest / mark-up	Total
	----- Rupees in '000 -----			
Balance as at July 01, 2017	140,330	6,010	1,035	147,375
Changes from financing activities				
Short term finances obtained net of repayments	109,814	-	-	109,814
Dividend declared	-	47,531	-	47,531
Dividend paid	-	(46,920)	-	(46,920)
Finance cost paid	-	-	(13,708)	(13,708)
	109,814	611	(13,708)	96,717
Other changes				
Mark-up / interest expense	-	-	17,552	17,552
Balance as at June 30, 2018	<u>250,144</u>	<u>6,621</u>	<u>4,879</u>	<u>261,644</u>

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Working Directors		Executives *	
	2018	2017	2018	2017	2018	2017
----- Rupees in '000 -----						
Remuneration (including bonus)						
- current year	6,762	6,660	16,283	18,485	39,256	36,553
- arrears	-	-	-	3,377	-	-
Retirement benefits	583	3,194	1,351	8,865	3,029	3,197
House rent	1,715	1,715	-	-	2,224	2,487
Insurance	-	6	-	-	14	13
Reimbursement of medical and other expenses	19	100	388	285	2,373	1,852
Utilities	94	117	579	805	852	798
	9,173	11,792	18,601	31,817	47,748	44,900
Number of persons	1	1	1	2	8	8

* Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

36.1 The chief executive, working directors 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.700 thousand (2017: Rs.980 thousand) were also paid to seven (2017: seven) non-working directors.

37. TRANSACTIONS WITH RELATED PARTIES

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

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

37.3 Related parties comprise of the Associated Companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

37.4 Name and nature of relationship

Associated Companies and Undertaking

Due to significant influence

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

Due to common directorship

Babri Cotton Mills Ltd.

Gammon Pakistan Ltd.

Bibojee Services (Pvt.) Ltd.

The Universal Insurance Company Ltd.

Waqf-e-Kuli Khan

Key management personnel

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

37.5 Significant transactions with the related parties

	2018	2017
	--- Rupees in '000 ---	
i) Associated Companies		
Dividend received	-	1,949
Dividend paid	16,192	16,192
Expenses shared	2,439	6,849
Rent of marketing office	16,095	2,100
Rent of internal audit office	150	200
ii) Associated Undertaking		
Donation	1,981	1,827
iii) Key management personnel		
Salary and other employment benefits	57,131	66,682

38. CAPITAL RISK MANAGEMENT

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

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

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

39. OPERATING SEGMENT

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

39.1 Fabric and blanket sales represent 97.16% (2017: 99.47%) of the total gross sales of the Company.

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

39.3 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

39.4 Five (2017: Six) of the Company's customers having sales aggregating Rs.690.582 million (2017: Rs.653.645 million) contributed towards 76.71% (2017: 78.44%) of the Company's gross sales. Two out of five customers individually exceeded 10% of total gross sales.

40. CAPACITY AND PRODUCTION

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

Yarn	2018	2017
Number of spindles installed	3,794	3,794
Number of spindles/shifts worked	2,293,807	2,130,857
Installed capacity at 5 Nm count (Kgs.)	2,391,094	2,391,094
Actual production converted into 5 Nm count (Kgs.)	1,260,709	1,315,794
Number of shifts worked	891	873
Cloth		
Number of looms installed	50	50
Number of looms/shifts worked	19,064	24,495
Installed capacity of 50 operational looms at 30 picks (Meters) (single shift)	1,647,752	1,647,752
Actual production converted into 30 picks (Meters) (03 shifts)	1,541,498	1,585,338
Number of shifts worked	888	873

41. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- (a) The Company during the year decided to make payment of gratuity benefits payable to all the executive officers of the Company and to introduce a Staff Provident Fund for all of these employees. This resulted in a gain amounting Rs.62.254 million calculated by the actuary in his report. This gain has been credited to statement of profit or loss for the year.

- (b) During the year, the Associated Companies Babri Cotton Mills Ltd. and Janana De Malucho Textile Mills Ltd. changed their accounting policy and reclassified surplus on revaluation of property, plant and equipment to equity by making restatement in their financial statements. As the Company measures investments in these Associated Companies by applying equity method of accounting; the Company recognised its share of surplus on revaluation of property, plant and equipment of Associated Companies amounting Rs.807.328 million by making restatement in its financial statements.
- (c) All other significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Chairman's Review Report and Directors' Report on the Company's operations.

42. NUMBER OF EMPLOYEES	2018	2017
	----- Numbers -----	
Number of persons employed as at June 30,		
- permanent	668	663
*This includes 561 (2017: 579) number of factory employees.		
Average number of employees during the year		
- permanent	682	661
**This includes 579 (2017: 578) number of factory employees.		

43. EVENT AFTER THE REPORTING PERIOD

The Board of Directors, in their Meeting held on September 27, 2018 has proposed a final cash dividend of Rs. 2.5 (2017: Rs. 5) per share, for the year ended June 30, 2018 for approval of the members at the Annual General Meeting to be held on October 25, 2018.

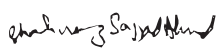
44. CORRESPONDING FIGURES

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


As required by provisions of the Companies Act, 2017, unpaid dividends and unclaimed dividends have been disclosed as a separate line item on the face of statement of financial position whereas revaluation surplus on property, plant and equipment has been reclassified and made part of equity as fully detailed in note 5.

45. GENERAL

These financial statements were authorised for issue on 27th September, 2018 by the Board of Directors of the Company.


Shahnaz Sajjad Ahmad
 Chief Executive


Syed Zubair Ahmed Shah
 Director


A. R. Tahir
 Chief Financial Officer

BANNU WOOLLEN MILLS LIMITED

FORM OF PROXY

I/We _____ of _____ being in the district of _____ being a member of Bannu Woollen Mills Limited and holder of _____ Ordinary Shares as per the Share Register Folio No. _____ and CDC Participant I.D. No. _____ and Sub-Account No. _____ hereby appoint _____ of _____ or failing him/her _____ as my/our proxy to vote for me/us and on my/our behalf at the 58th Annual General Meeting of the Company to be held at Registered Office, Bannu Woollen Mills Ltd., D.I. Khan Road, Bannu on 25 October, 2018 at 09:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this day of 2018.

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

2. As witness my hand this day of 2018.

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

Please
affix five rupees
revenue stamp

Signatures of member

Please fill in the applicable columns:

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

Note:

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

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

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

پراکسی فارم

میں / ہم۔ ساکن۔ ضلع۔
 بحیثیت ممبر نوں ولن ملز لمیٹڈ۔ (شیرز کی تعداد)
 رجسٹرڈ فوئو نمبر۔ اور / یا سی ڈی سی فوئو کا آئی ڈی نمبر۔ اور ذیلی اکاؤنٹ نمبر۔
 مسمیٰ / مسماۃ۔ ساکن۔ کو
 کمپنی کے اجلاس عام میں جو 25 اکتوبر 2018 صبح 09 بجے کمپنی کے رجسٹرڈ آفس، ڈی۔ آئی۔ خان روڈ، بنوں میں منعقد ہوگا، میری / ہماری طرف سے بحیثیت
 اپنا پر کسی، ووٹ دینے کے لئے نامزد کرتا ہوں / کرتے ہیں۔

دستخط حصص داران
(دستخط کامپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

گواہان:

نام _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر-----

پاسپورٹ نمبر _____

بتاریخ: _____

..... دستخط

نام _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر-----

پاسپورٹ نمبر _____

بتاریخ: _____

نوٹ:

پراکسی کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

حصص داران اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ لف کریں۔

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