

Nine Month Accounts March, 2013

BIBOJEE GROUP



BANNU

WOOLLEN MILLS LIMITED

BANNU WOOLLEN MILLS LIMITED COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr. RAZA KULI KHAN KHATTAK MRS. SHAHNAZ SAJJAD AHMAD LT. GEN. (RETD) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA MRS. ZEB GOHAR AYUB DR. SHAHEEN KULI KHAN MR. MANZOOR AHMED SHEIKH (NIT) MR. SHER ALI KHAN, (SLIC)	Chairman Chief Executive
AUDIT COMMITTEE	LT. GEN. (RETD) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	LT. GEN. (RETD) ALI KULI KHAN KHATTAK MRS. SHAHNAZ SAJJAD AHMAD MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA	Chairman Member / CEO Member Member
COMPANY SECRETARY	MR. AMIN-UR-RASHEED B.COM (HONS) FICS Sr. General Manager Corporate Affairs	
CHIEF FINANCIAL OFFICER	Mr. A.R. Tahir Chief Operating Officer (COO)	
HEAD OF INTERNAL AUDIT	MR. SALMAN KHAN	
AUDITORS	M/S. 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 HABIBABAD, KOHAT Tel. (0922) 510063 - 510064 - 510494 Fax. (0922) 510474 E-Mail janana@brain.net.pk Web Site " www.jdm.com.pk "	
MILLS	D.I.KHAN ROAD, BANNU Tel. (0928) 613151, 613250 Fax (0928) 611450 E-Mail bannuwoollen@yahoo.com Web Site " www.bwm.com.pk "	

BANNU WOOLLEN MILLS LIMITED
DIRECTOR'S REPORT TO THE MEMBERS
FOR THE NINE MONTHS ENDED 31 MARCH, 2013

It is my pleasure to present the un-audited condensed interim financial information of the Company for the nine months ended 31 March, 2013.

THE ECONOMY

Gross Domestic Product (GDP) growth forecast for the country would remain broadly stable at 3.8 percent as against the target of 4.2 percent in fiscal year 2012-13 as compared with 3.7 percent growth recorded in FY 2011-12. Electricity and gas shortages for the industrial and agricultural sectors, macroeconomic challenges including fiscal deficits and high inflation and security uncertainties have hampered productive business activities.

OPERATING RESULTS

The sales for the nine months ended 31 March, 2013 amounted to Rs.672.234 million, an increase of Rs. 85.824 million from corresponding period. This positive performance was attributable to volume growth, better sales mix and other improved measures. Cost of sales increased by Rs. 64.973 million mainly due to increase in minimum wages, depreciation of Pak Rupee against US dollar which caused increase in cost of imported raw-materials and inflation. Distribution expenses rose by Rs. 6.283 million. The higher spending was on account of dealers' commission which is directly related to sales turnover and promotion & publicity of the Company's products. Administrative expenses increased by Rs. 16.967 million over the corresponding period of last year mainly due to increase in personnel cost. Finance cost decreased by Rs. 4.041 million due to efficient use of bank borrowings during the period. The aforementioned factors with adverse impact on production due to power shut down for more than six hours per day enabled the Company to register net profits before tax of Rs.120.830 million.

Net profit after tax for the period decreased to Rs.87.512 million from Rs.110.000 million, after providing income tax provision (2012: tax exempted) over the corresponding period. Accordingly, earning per share for the period decreased to Rs. 11.51 per share (Net of tax), in comparison to Rs. 14.46 per share for the corresponding period.

FUTURE OUTLOOK

The Company is determined to overcome the challenges by improving its operating results and focusing on expanding the production capacity to meet our market demand. This is intended to help our production quantity about 25% in the year 2013-2014 and our profitability.

THANKS AND APPRECIATION

I would like to thank our valued customers for the confidence they continue to place in us, the management team for their sincere efforts, the Board of Directors for its guidance and all stakeholders, banks, Suppliers, Associates and shareholders for helping to build Bannu Woollen Mills Ltd. into a unique Company.

For & on behalf of the Board of Directors,



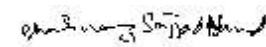
RAZA KULI KHAN KHATTAK
Chairman


Dated : 28th April, 2013

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2013

	Un-audited 31 Mar., 2013	Audited 30 June, 2012		Un-audited 31 Mar., 2013	Audited 30 June, 2012
Note	Rupees in thousand		Note	Rupees in thousand	
Equity and Liabilities			Assets		
Share Capital and Reserves			Non-current Assets		
Authorised capital	100,000	100,000	Property, plant and equipment	8	830,775
Issued, subscribed and paid-up capital	76,050	76,050	Investments in Associated Companies	9	239,059
Reserves	562,000	438,500	Loan to an executive		0
Unappropriated profit	95,117	146,787	Security deposits		2,809
	<u>733,167</u>	<u>661,337</u>		<u>1,072,643</u>	<u>1,025,078</u>
Surplus on Revaluation of Property, Plant and Equipment	573,660	576,730	Current Assets		
Non-Current Liabilities			Stores and spares		41,411
Staff retirement benefits - gratuity	79,373	65,909	Stock-in-trade		297,274
Deferred taxation	88,692	89,933	Trade debts		119,908
	<u>168,065</u>	<u>155,842</u>	Current portion of loan to an executive		784
Current Liabilities			Advances to employees - unsecured, considered good		2,457
Trade and other payables	73,590	66,542	Advance payments		238
Accrued mark-up	346	3,040	Trade deposits and prepayments		1,678
Short term finances	7,007	18,059	Due from Associated Companies		62
Taxation	35,288	729	Accrued mark-up		0
	<u>116,231</u>	<u>88,370</u>	Sales tax refundable		11,330
Contingencies and Commitments			Income tax refundable, advance tax and tax deducted at source		31,726
			Cash and bank balances		11,612
				<u>518,480</u>	<u>457,201</u>
	<u>1,591,123</u>	<u>1,482,279</u>		<u>1,591,123</u>	<u>1,482,279</u>

The annexed notes form an integral part of this condensed interim financial information.


Shahnaz Sajjad Ahmad
Chief Executive

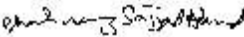

Mushtaq Ahmad Khan, FCA
Director

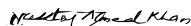
BANNU WOOLLEN MILLS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 31 MARCH, 2013**

Note	Quarter ended		Nine months ended	
	31 March,		31 March,	
	2013	2012	2013	2012
	----- Rupees in thousand -----			
Sales - net	111,858	100,329	672,234	586,410
Cost of Sales	94,992	80,969	473,360	408,387
Gross Profit	16,866	19,360	198,874	178,023
Distribution Cost	4,975	3,968	29,874	23,591
Administrative Expenses	18,017	13,125	58,657	41,690
Other Operating Expenses	(357)	286	8,816	9,559
Other Operating Income	(1,366)	(1,073)	(2,228)	(2,310)
	21,269	16,306	95,119	72,530
(Loss) / profit from Operations	(4,403)	3,054	103,755	105,493
Finance Cost	394	1,609	8,860	12,901
	(4,797)	1,445	94,895	92,592
Share of Profit of Associated Companies	9	0	0	25,935
	0	0	25,935	16,568
(Loss) / profit before Taxation	(4,797)	1,445	120,830	109,160
Taxation				
- current	6.1	(261)	1,007	34,559
- deferred		(1,423)	(1,591)	(1,241)
		(1,684)	(584)	33,318
(Loss) / profit after Taxation		(3,113)	2,029	87,512
Other Comprehensive Income		0	0	0
Total Comprehensive (loss) / Income for the Period		(3,113)	2,029	87,512
		----- Rupees -----		
Earnings per Share		(0.41)	0.27	11.51
		(0.41)	0.27	14.46

The annexed notes form an integral part of this condensed interim financial information.


Shahnaz Sajjad Ahmad
Chief Executive

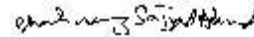

Mushtaq Ahmad Khan, FCA
Director

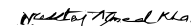
BANNU WOOLLEN MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 31 MARCH, 2013 (UN-AUDITED)**

	Nine months ended	
	31 March,	
	2013	2012
	Rupees in thousand	
Cash flow from operating activities		
Profit for the period - before taxation and share of profit of Associated Companies	94,895	92,592
Adjustments for non-cash charges and other items:		
Depreciation	13,052	12,914
Staff retirement benefits - gratuity (net)	13,464	13,251
Unclaimed payable balances written-back	0	(58)
Mark-up on bank deposits, dealers' and Associated Companies balances	(541)	(1,800)
Finance cost	8,860	12,900
Workers' welfare fund	0	1,972
	129,730	131,771
Profit before working capital changes	129,730	131,771
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(12,652)	1,876
Stock-in-trade	34,542	112,236
Trade debts	(68,351)	(27,016)
Advances to employees	(23)	(1,633)
Advance payments	608	(12,294)
Trade deposits and prepayments	(1,316)	(95,928)
Due from Associated Companies	889	(1,405)
Mark-up subsidy receivable	0	767
Sales tax refundable	(951)	853
Increase in trade and other payables	6,605	15,099
	(40,649)	(7,445)
Cash generated from operations	89,081	124,326
Taxes paid	(4,297)	(4,718)
Net cash generated from operating activities	84,784	119,608
Cash flow from investing activities		
Fixed capital expenditure	(31,059)	(7,356)
Mark-up received on bank deposits, dealers' and Associated Companies' balances	1,412	1,800
Net cash used in investing activities	(29,647)	(5,556)
Cash flow from financing activities		
Short term finances - net	(11,052)	(62,429)
Lease finances repaid	0	(239)
Dividend paid	(22,372)	(38,025)
Finance cost paid	(11,554)	(11,335)
Net cash used in financing activities	(44,978)	(112,028)
Net increase in cash and cash equivalents	10,159	2,024
Cash and cash equivalents - at beginning of the period	1,453	1,399
Cash and cash equivalents - at end of the period	11,612	3,423

The annexed notes form an integral part of this condensed interim financial information.


Shahnaz Sajjad Ahmad
Chief Executive


Mushtaq Ahmad Khan, FCA
Director

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 MARCH, 2013 (UN-AUDITED)

Share capital	Reserves			Unappropriated profit	Total
	Capital	Revenue	Sub-total		
	Share premium	General			

----- (Rupees in thousand) -----

Balance as at 01 July, 2011	76,050	19,445	283,745	303,190	173,460	552,700
Transfer	0	0	135,310	135,310	(135,310)	0

Transactions with owners

Final cash dividend for the year ended 30 June, 2011 at the rate of Rs.5 per share	0	0	0	0	(38,025)	(38,025)
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Total comprehensive income for the period ended 31 March, 2012	0	0	0	0	110,000	110,000
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Surplus on revaluation of property, plant and equipment realised on account of incremental depreciation for the period ended 31 March, 2012 (net of deferred tax)	0	0	0	0	2,773	2,773
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Effect of items directly credited in equity by the Associated Companies	0	0	0	0	2,637	2,637
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Balance as at 31 March, 2012	<u>76,050</u>	<u>19,445</u>	<u>419,055</u>	<u>438,500</u>	<u>115,535</u>	<u>630,085</u>
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Balance as at 01 July, 2012	76,050	19,445	419,055	438,500	146,787	661,337
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Transfer	0	0	123,500	123,500	(123,500)	0
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Transaction with owners

Final cash dividend for the year ended 30 June, 2012 at the rate of Rs.3 per share	0	0	0	0	(22,815)	(22,815)
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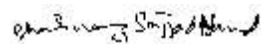
Total comprehensive income for the period ended 31 March, 2013	0	0	0	0	87,512	87,512
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Surplus on revaluation of property, plant and equipment realised on account incremental depreciation for the period ended 31 March, 2013 (net of deferred tax)	0	0	0	0	3,070	3,070
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Effect of items directly credited in equity by the Associated Companies	0	0	0	0	4,063	4,063
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Balance as at 31 March, 2013	<u>76,050</u>	<u>19,445</u>	<u>542,555</u>	<u>562,000</u>	<u>95,117</u>	<u>733,167</u>
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The annexed notes form an integral part of this condensed interim financial information.


Shahnaz Sajjad Ahmad
Chief Executive


Mushtaq Ahmad Khan, FCA
Director

BANNU WOOLLEN MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 31 MARCH, 2013 (UN-AUDITED)

1. Corporate information

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

2. Basis of preparation

This condensed interim financial information of the Company for the period ended 31 March, 2013 has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

The disclosure in the condensed interim financial information does not include the information reported for full annual financial statements and should therefore be read in conjunction with the audited financial statements of the Company for the year ended 30 June, 2012. Comparative balance sheet is extracted from audited financial statements 30 June, 2012 where as comparative profit and loss account, cash flow statement and statement of changes in equity are extracted from un-audited condensed interim financial information for the period ended 31 March, 2012.

This condensed interim financial information is un-audited and is being submitted to the members as required under section 245 of the Companies Ordinance, 1984 and listing regulations of Karachi and Islamabad Stock Exchanges.

3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended 30 June, 2012.

4. Amendments to published standards effective during the current period

4.1 Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on 01 July, 2012 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 July, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information except for IAS 19 - Amendment (Employee Benefits), which is applicable for accounting periods beginning on or after 01 January, 2013. The amendment will eliminate the corridor approach and calculates finance cost on a net funding basis. The Company will apply this amendment from 01 July, 2013 and its impact will be a decrease in unappropriated profit by Rs. 23.366 million due to recognition of current unrecognised actuarial loss on its defined benefit plan.

5. Accounting estimates and judgments

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the preceding annual financial statements for the year ended 30 June, 2012.

6. Taxation

- 6.1** Provision for the current period represents normal tax payable under section 18 of the Income Tax Ordinance, 2001 (the Ordinance). Income tax assessments of the Company have been completed upto the Tax Year 2012 creating refund of Rs.6.743 million.
- 6.2** Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the Tax Year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the preceding financial year was made in the books of account as well as provisions for minimum tax made during the financial years ended 30 June, 2010 and 30 June, 2011 aggregating Rs.7.777 million were written-back. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.14.417 million.
- 6.3** The Company has filed a Reference Application before the Lahore High Court, Lahore 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.
- 6.4** 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 an appeal has been filed with the ATIR, which is pending adjudication. The Department, however, during July, 2010 has issued an order under section 221 of the Ordinance creating demand of Rs.775 thousand.
- 6.5** The Assessing Officer for the Tax Year 2007 has re-imposed tax aggregating Rs.2.512 million under sections 161/205 of the Ordinance against which the Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which is pending adjudication.

7. Contingencies and commitments

- 7.1** Commitments for irrevocable letters of credit outstanding as at 31 March, 2013 aggregated Rs.45.961 million (30 June, 2012: Rs.17.404 million).

7.2 Refer contents of taxation notes.

8. Property, plant and equipment

		Un-audited 31 Mar., 2013	Audited 30 June, 2012
	Note	Rupees in thousand	
Operating fixed assets	8.1	802,369	812,768
Capital work-in-progress	8.2	28,406	0
		830,775	812,768
8.1 Operating fixed assets		812,768	
Book value as at 30 June, 2012			
Additions during the period:			
- plant and machinery		539	
- Weightment and material handling equipment		15	
- electric fittings		31	
- computers		87	
- vehicles		1,042	
- arms		939	
		2,653	
Depreciation charge for the period		(13,052)	
Book value as at 31 March, 2013		802,369	

8.2 Capital work-in-progress

Factory buildings on freehold land	4,930
Plant and machinery	23,476
	28,406

9. Investments in Associated Companies - Quoted

Babri Cotton Mills Ltd. (BCM)

144,421 (30 June, 2012: 144,421) ordinary shares of Rs.10 each - cost	9.1	1,632	1,632
Equity held 3.95% (30 June, 2012: 3.95%)			
Post acquisition profit brought forward including effect of items directly credited in equity by BCM		12,903	9,117
Profit for the period / year - net of taxation		3,116	3,481
		17,651	14,230

Janana De Malucho Textile Mills Ltd. (JDM)

1,559,230 (30 June, 2012: 1,559,230) ordinary shares of Rs.10 each - cost	9.1	27,762	27,762
Equity held 32.59% (30 June, 2012: 32.59%)			
Post acquisition profit brought forward including effect of items directly credited in equity by JDM		170,827	119,928
Profit for the period / year - net of taxation		22,819	47,141
		221,408	194,831
		239,059	209,061

- 9.1** Market values of the Company's investment in BCM and JDM as at 31 March, 2013 were Rs.4.802 million (30 June, 2012: Rs.1.879 million) and Rs.54.573 million (30 June, 2012: Rs.31.871 million) respectively.

10. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's preceding annual financial statements for the year ended 30 June, 2012. There have been no changes in the risk management policies since the year-end.

11. Transactions with related parties

- 11.1** Aggregate transactions made during the period with the Associated Companies were as follows:

Relationship	Nature of transactions	Nine months ended	
		31 March, 2013	2012
		Rupees in thousand	
Associated Companies	Purchase of goods and services	233	5,079
	Sale of goods	0	16
	Mark-up earned	46	1,159
	Insurance premium paid	218	2,350
	Insurance claims received	0	58
	Dividend paid	7,766	12,943
Key management personnel	Remuneration and other benefits	39,022	24,744

11.2 Period / year end balances

Un-audited	Audited
31 Mar.,	30 June,
2013	2012
Rupees in thousand	

Due from Associated Companies on account of:

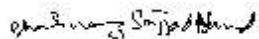
- normal trading transactions	62	951
- mark-up	0	871

12. Date of authorisation for issue

This condensed interim financial information was authorised for issue on 28th April, 2013 by the Board of Directors of the Company.

13. Corresponding figures

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged nor re-classified.



Shahnaz Sajjad Ahmad
Chief Executive



Mushtaq Ahmad Khan, FCA
Director

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