

# Quarterly Accounts September, 2014



**BANNU**  
WOOLLEN MILLS LIMITED

## BANNU WOOLLEN MILLS LIMITED COMPANY'S PROFILE

<b>Board Of Directors</b>	Mr. Raza Kuli Khan Khattak Lt. Gen. (Retd) Ali Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Mrs. Zeb Gohar Ayub Dr. Shaheen Kuli Khan Syed Zubair Ahmed Shah (Nit) Mr. Ahmad Zeb Khan (Independent)	Chairman Chief Executive
<b>Audit Committee</b>	Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Mr. Ahmad Zeb Khan	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	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
<b>Company Secretary</b>	Mr. Amin-Ur-Rasheed B.Com (Hons) FICS Sr. General Manager Corporate Affairs	
<b>Chief Financial Officer</b>	Mr. A.R. Tahir Chief Operating Officer (COO)	
<b>Head Of Internal Audit</b>	Mr. Salman Khan	
<b>Auditors</b>	M/S. Hameed Chaudhri & Co Chartered Accountants	
<b>Bankers</b>	National Bank Of Pakistan Bank Alfalah Ltd	
<b>Legal Adviser</b>	M/S Hassan & Hassan, Advocates Paaf Building, 1-D, Kashmir/ Egerton Road, Lahore	
<b>Tax Consultant</b>	M. Nawaz Khan & Co 1-Ground Floor, Farrah Centre, 2 Mozang Road, Lahore	
<b>Registrars &amp; Shares Registration Office</b>	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	
<b>Registered Office</b>	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 "	
<b>Mills</b>	D.I.Khan Road, Bannu Tel. (0928) 613151, 611350 Fax (0928) 611450 E-Mail: bannuwoollen@yahoo.com Web Site: " www.bwm.com.pk "	

**BANNU WOOLLEN MILLS LIMITED**  
**DIRECTORS' REPORT TO THE MEMBERS**  
**FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2014**

The Company's Board of Directors is pleased to present the un-audited financial statements and the Directors' report for the 1st quarter ended September 30, 2014.

**Financials**

Financial results are summarized as under:-

	<b>Quarter Ended Sep. 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Rupees in thousand)</b>	
<b>Sales - net</b>	<b>247,461</b>	250,395
<b>Gross profit</b>	<b>81,639</b>	79,175
<b>Profit from Operations</b>	<b>45,873</b>	47,611
<b>Profit before taxation</b>	<b>40,064</b>	42,791
<b>Profit after taxation</b>	<b>37,306</b>	38,355
	----- Rupees -----	
<b>Basic earnings per share - restated</b>	<b><u>3.92</u></b>	<u>4.03</u>

During the period under review, the Company's sales decreased by Rs.2.934 million (1.17%) over the corresponding period ended 30-09-2013, as lifting of Company's products by mills' dealers during the current period started by the end of August, 2014 due to uncertain economic conditions caused by sit-ins of PTI and PAT. The political impasse caused by the sit-ins have caused a loss of above Rs. 1,000 billion to the economy and resultantly reduce the purchasing power of consumers. Uncertain political conditions have directly impact the sales revenue of the Company for the period.

**The Economy**

The current financial year started with challenges for the manufacturing units due to high energy cost. In addition, value of Pak Rupee also depreciated against US Dollar by around 4% in just three months from Rs.98.75/USD as at June 30, 2014 to Rs.102.70/USD as at September 30, 2014 resulting in increase in raw-material cost in the current quarter. Despite the cumulative effect of the factors discussed above, the Company attained profit after taxation of Rs.37.306 million as against the profit after taxation of Rs.38.355 million in the same period last year.

**Future outlook**

It is envisaged that next three quarters of current financial year (Oct 2014 to Jun 2015) will remain tough for the manufacturing industry keeping in view unabated power outages coupled with increase in power tariff, further possible depreciation of Pak Rupee and unpredicted political situation. However, the Management of your company is determined to cope successfully with all challenges and cost pressures. Keeping in view of the above challenges and market demand of the Company's products, the Board has approved the 20 years plan for old machinery to be replaced with new and automated machinery in four phases of five years, to produce more competitive products to capture the market share, meet customers' needs and focusing on quality products.

**Acknowledgement**

The Company would like to acknowledges the continued support from 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 also like to acknowledge the continued support of all stakeholders, Bankers, dealers, vendors and employees.

**For & on behalf of the board of directors**

*Ray K. Khan*

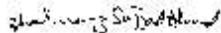
**RAZA KULI KHAN KHATTAK**  
Chairman

**Dated: 31 October, 2014**

**BANNU WOOLLEN MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER, 2014**

	Un-audited Sept. 30, 2014	Audited Jun. 30, 2014
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6 853,515	862,146
Investments in Associated Companies	7 362,455	362,455
Loan to an executive	240	300
Security deposits	3,414	3,414
	<u>1,219,624</u>	<u>1,228,315</u>
<b>Current assets</b>		
Stores and spares	37,267	38,637
Stock-in-trade	388,366	416,380
Trade debts	385,984	204,214
Current portion of loan to an executive	240	240
Advances to employees - unsecured, considered good	3,707	2,301
Advance payments	3,670	1,700
Trade deposits and prepayments	6,176	216
Sales tax refundable	6,096	7,262
Income tax refundable, advance tax and tax deducted at source	20,477	17,644
Cash and bank balances	2,824	1,283
	<u>854,807</u>	<u>689,877</u>
<b>TOTAL ASSETS</b>	<u>2,074,431</u>	<u>1,918,192</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Authorised capital</b>		
20,000,000 ordinary shares of Rs.10 each	200,000	200,000
Issued, subscribed and paid-up capital	95,063	95,063
Reserves	805,500	705,500
Unappropriated profit	40,375	101,360
<b>Shareholders' equity</b>	<u>940,938</u>	<u>901,923</u>
<b>Surplus on revaluation of property, plant and equipment</b>	561,505	563,214
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Demand finances	10,000	12,500
Staff retirement benefits - gratuity	144,999	139,163
Deferred taxation	73,156	83,387
	<u>228,155</u>	<u>235,050</u>
<b>Current liabilities</b>		
Trade and other payables	85,405	89,648
Accrued mark-up	4,999	1,009
Short term finances	207,871	94,779
Current portion of demand finances	10,000	10,000
Taxation	35,558	22,569
	<u>343,833</u>	<u>218,005</u>
	<u>571,988</u>	<u>453,055</u>
<b>Contingencies and commitments</b>	8	
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,074,431</u>	<u>1,918,192</u>

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

  
Shahnaz Sajjad Ahmad  
Chief Executive

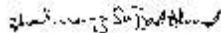
  
Ahmad Kuli Khan Khattak  
Director

**BANNU WOOLLEN MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2014**

	Quarter Ended	
	Sept. 30, 2014	Sept. 30, 2013
	(Rupees in thousand)	
Sales - net	247,461	250,395
Cost of sales	165,822	171,220
<b>Gross profit</b>	<u>81,639</u>	<u>79,175</u>
Distribution cost	10,263	10,200
Administrative expenses	22,576	18,356
Others operating expenses	3,604	3,452
Other operating income	(677)	(444)
	<u>35,766</u>	<u>31,564</u>
<b>Profit from Operations</b>	<u>45,873</u>	<u>47,611</u>
Financial cost	5,809	4,820
<b>Profit before taxation</b>	<u>40,064</u>	<u>42,791</u>
Taxation - net	2,758	4,436
<b>Profit after taxation</b>	<u>37,306</u>	<u>38,355</u>
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<u>37,306</u>	<u>38,355</u>
	----- Rupees -----	
<b>Basic earnings per share - restated</b>	<u>3.92</u>	<u>4.03</u>

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

- Appropriations have been reflected in the statement of changes in equity.

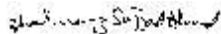
  
Shahnaz Sajjad Ahmad  
Chief Executive

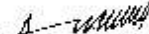
  
Ahmad Kuli Khan Khattak  
Director

**BANNU WOOLLEN MILLS LIMITED**  
CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2014

	1st Quarter ended	
	Sept. 30, 2014	Sept. 30, 2013
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation	40,064	42,791
Adjustments for non-cash charges and other items:		
Depreciation	9,476	8,283
Staff retirement benefits - gratuity (net)	5,836	5,434
Mark-up on bank deposits and dealers' balances	(514)	(159)
Finance cost	5,809	4,820
Workers' welfare fund	893	813
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	61,564	61,982
<b>(Increase) / decrease in current assets</b>		
Stores and spares	1,370	(3,270)
Stock-in-trade	28,014	33,016
Trade debts	(181,770)	(84,351)
Advances to employees	(1,346)	102
Advance payments	(1,970)	(311)
Trade deposits and prepayments	(5,960)	(27,718)
Other receivables	0	403
Sales tax refundable	1,166	(659)
<b>(Decrease) / increase in trade and other payables</b>	(5,136)	9,102
	(165,632)	(73,686)
<b>CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation</b>	(104,068)	(11,704)
Taxes paid	(2,833)	(2,333)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(106,901)	(14,037)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(845)	(934)
Mark-up received on bank deposits / Associated Companies' balances	514	159
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	(331)	(775)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Demand finances	(2,500)	0
Short term finances - net	113,092	24,025
Finance cost paid	(1,819)	(2,104)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	108,773	21,921
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,541	7,109
<b>CASH AND CASH EQUIVALENTS - At the beginning of the period</b>	1,283	1,349
<b>CASH AND CASH EQUIVALENTS - At the end of the period</b>	2,824	8,458

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

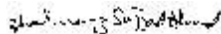
  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

**BANNU WOOLLEN MILLS LIMITED**  
STATEMENT OF CHANGES IN EQUITY  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2014

	Reserves			Unappropriated profit	Total	
	Share capital	Capital reserve	General reserve			
	Rupees					
Balance as at July 01, 2013 - as restated	76,050	19,445	542,555	562,000	118,547	756,597
Transfer to general reserve			143,500	143,500	(143,500)	0
Total comprehensive income for the quarter ended September 30, 2013					38,355	38,355
Transfer from surplus on revaluation of property, plant & equipment on account of - incremental depreciation for the period - net of deferred taxation					1,842	1,842
Balance as at September 30, 2013 - as restated	76,050	19,445	686,055	705,500	15,244	796,794
Balance as at July 01, 2014	95,063	19,445	686,055	705,500	101,360	901,923
Transfer to general reserve			100,000	100,000	(100,000)	0
Total comprehensive income for the quarter ended September 30, 2014					37,306	37,306
Transfer from surplus on revaluation of property, plant & equipment on account of - incremental depreciation for the period - net of deferred taxation					1,709	1,709
Balance as at September 30, 2014	95,063	19,445	786,055	805,500	40,375	940,938

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

  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

**BANNU WOOLLEN MILLS LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM**  
**FINANCIAL INFORMATION FOR THE 1ST QUARTER ENDED**  
**30 SEPTEMBER, 2014**

**1. Legal status and nature of business**

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 has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30, 2014.

**3. Significant accounting policies**

**3.1** The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the preceding year ended June 30, 2014.

**3.2** During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2014.

**4.** The provision for taxation for the quarter ended September 30, 2014 has been made using the tax rate that would be applicable to expected total annual earnings.

**5.** The preparation of interim financial information requires management to make judgements, estimates and assumptions that affects the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

**6. PROPERTY, PLANT AND EQUIPMENT**

	Un-audited Quarter ended Sept. 30, 2014	Audited Year ended June 30, 2014
Note	(Rupees in thousand)	
Operating fixed assets - tangible	851,505	860,163
Capital work-in-progress	2,010	1,983
	<b>853,515</b>	<b>862,146</b>
	Un-audited Quarter ended Sept. 30, 2014	Audited Year ended June 30, 2014
6.1 Operating fixed assets	(Rupees in thousand)	
Opening book value	860,163	812,988
Additions during the period / year:		
- buildings on freehold land	0	6,028
- plant and machinery	0	70,780
- furniture and fixtures	0	31
- electric fittings	84	437
- computers, TV & security equipment	15	2,759
- vehicles	719	1,885
	<b>818</b>	<b>81,920</b>
Depreciation charge for the period / year	<b>(9,476)</b>	<b>(34,745)</b>
Closing book value	<b>851,505</b>	<b>860,163</b>

**7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted**

**Babri Cotton Mills Ltd. (BCM)**

144,421 (June 30, 2014: 144,421) ordinary shares of Rs.10 each - cost

Equity held: 3.95% (June 30, 2014: 3.95%)

Post acquisition profit brought forward including effect of items directly credited in other comprehensive income by the Associated Company

Profit for the period / year - net of taxation

Share of other comprehensive loss - net of taxation

1,632	1,632
25,062	22,004
0	3,243
0	(185)
<b>26,694</b>	<b>26,694</b>

**Janana De Malucho Textile Mills Ltd. (JDM)**

1,559,230 (June 30, 2014: 1,559,230) ordinary shares of Rs.10 each - cost

Equity held 32.59% (June 30, 2014: 32.59%)

Post acquisition profit brought forward including effect of items directly credited in other comprehensive income by the Associated Company

Profit for the period / year - net of taxation

Share of other comprehensive loss - net of taxation

27,762	27,762
307,999	254,404
0	58,852
0	(5,257)
<b>335,761</b>	<b>335,761</b>
<b>362,455</b>	<b>362,455</b>

**7.1** Market values of the Company's investments in BCM and JDM as at September 30, 2014 were Rs. 10.030 million (June 30, 2014: Rs. 10.544 million) and Rs.152.041 million (June 30, 2014: Rs. 129.416 million) respectively.

**8. CONTINGENCIES AND COMMITMENTS**

**8.1** There has been no significant change in the status of contingencies as reported in the preceding published annual financial statements of the Company for the year ended 30 June, 2014.

**8.2** Commitments for irrevocable letters of credit outstanding as at 30 September, 2014 aggregated Rs. 11.325 (June 30, 2014: Rs. 29.766 million).

**9. TRANSACTIONS WITH RELATED PARTIES**

	Un-audited 1st Quarter Ended September 30, 2014	2013
	(Rupees in thousand)	
<b>9.1</b> Aggregate transactions made during the period with the Associated Companies were as follows:		
- insurance premium paid	0	161
- mark-up charged	0	247

**9.2** No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were executed with other related parties during the period.

**9.3** Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on actual basis.

**9.4** Trade and other payables include due to Associated Companies aggregating Rs. Nil (June 30, 2014: Rs. 28 thousand ).

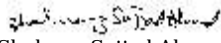
#### 10. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2014 and the corresponding figures in the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial information of the Company for the three months period ended September 30, 2013.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.

#### 11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 31 October, 2014.

  
Shahnaz Sajjad Ahmad  
Chief Executive

  
Ahmad Kuli Khan Khattak  
Director

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