

# Half Yearly Accounts December, 2010

BIBOJEE GROUP



# BANNU

WOOLLEN MILLS LIMITED

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**COMPANY'S PROFILE**

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK Chairman MRS. SHAHNAZ SAJJAD AHMAD Chief Executive LT. GEN. (RETD) ALI KULI KHAN KHATTAK MR. AHMED KULI KHAN KHATTAK MR. MUSHTAQ AHMED KHAN, FCA MRS. ZEB GOHAR AYUB DR. SHAHEEN KULI KHAN MR. MANZOOR AHMED SHEIKH (NIT) MR. SHER ALI KHAN, (SLIC)	
AUDIT COMMITTEE	LT. GEN. (RETD) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA	Chairman Member Member
COMPANY SECRETARY	MR. AMIN-UR-RASHEED B.COM (HONS) FICS General Manager Corporate Affairs	
CHIEF FINANCIAL OFFICER	MR. A. R. TAHIR Sr. General Manager (F&C)	
INTERNAL AUDITOR	MR. KALIM ASLAM	
AUDITORS	M/S. HAMEED CHAUDHRI & CO Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN BANK ALFALAH LTD	
LEGAL ADVISER	M/S HASSAN & HASSAN, Advocates PAAF Building, 1-D, Kashmir/ Egerton Road, Lahore Phone 042-36360800-03	
TAX CONSULTANT	M. NAWAZ KHAN & CO 1-Ground Floor, Farrah Centre, 2 Mozang Road, Lahore Phone 042-37323509	
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 registrationservice@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 bwmltd@brain.net.pk bannuwoollen@yahoo.com Web Site " www.bwm.com.pk "	

**DIRECTOR'S REPORT TO THE MEMBERS  
FOR THE HALF YEAR ENDED 31 DECEMBER, 2010**

The Company's Board of Directors is pleased to present the un-audited financial statements and the Directors report for the half year ended 31 December, 2010.

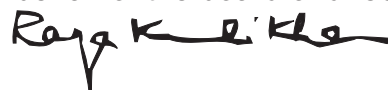
The Company's performance in the wake of flood ravaged economy, poor law & order conditions & persistent load shedding, is considered satisfactory during the half year ended 31 December, 2010 as compared to the corresponding period. Financial results are summarized as under:-

	Half year ended	
	31-Dec-10	31-Dec-09
	Rupees in thousand	
Net Sales	434,897	313,345
Cost of Sales	286,970	221,046
Gross profit	147,927	92,299
Operating profit less Finance cost	92,186	56,482
Profit (loss) after taxation	134,371	1,874
Earnings (loss) per share	Rs. 17.67	0.25

- 1) Gross profit percentage for the half year ended 31-12-2010 has improved from 29.46% to 34.01% over the corresponding period.
- 2) Cost of sales has increased by Rs. 65.924 million ( 29.82%) which comprises Rs.33.043 (m) increase in prices of imported wool & yarn, Rs. 2.557 (m) in power & fuel, Rs. 0.495(m) in dyes / chemicals & Rs.4.103(m) increase in salary.
- 3) Administrative expenses increase of Rs. 4.837 (m) comprises increase of Rs. 5.591 (m) in salary, wages & benefits, Rs.2.712(m) in provision for gratuity, Rs.1.472 (m) decrease in branch office expense.
- 4) Decrease of Rs.0.052 (m) in finance cost was due to decrease in markup on the lesser volume of import L/Cs & on leased vehicles. There was an increase Rs. 0.243 million on short term finance due to increase in markup rates.
- 5) Increase of Rs. 86.125 (m) (not yet due for payment) in books debts is due to higher sales of Rs. 121.552 (m) (38.79%). Recovery of book debts is considered satisfactory, Civil suit decreed in Company's favour & its execution proceedings are in progress.
- 6) Earnings (loss) per share has increased from Rs. 0.25 to Rs. 17.67 for the current half year ended on 31-12-2010.
- 7) **Future outlook:-**  
Unscheduled power outages, depreciation of Pak rupee vs US dollar and unprecedented increase in imported wool & other raw material prices, are likely to effect the results of the next period, if prevailing situation does not improve for the betterment.

Your Directors wish to record their appreciation for the efforts made by the workers, staff and executives for their commitment and dedication towards work & in achieving above performance in poor law & order conditions.

For & on behalf of the board of directors,



**Raza Kuli Khan Khattak**  
Chairman

**Dated: 28th February, 2011**

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF  
CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **BANNU WOOLLEN MILLS LIMITED** (the Company) as at 31 December, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended 31 December, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2010.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended 31 December, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**LAHORE: 28 February, 2011**

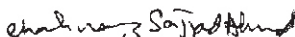
  
**HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Abdul Hameed Chaudhri

## BANNU WOOLLEN MILLS LIMITED

### CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER, 2010

		Un-audited 31 December, 2010	Audited 30 June, 2010			Un-audited 31 December, 2010	Audited 30 June, 2010
	Note	(Rupees in thousand)			Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Authorised capital		100,000	100,000	Property, plant and equipment	6	456,568	464,172
Issued, subscribed and paid-up capital		76,050	76,050	Investments in Associated Companies	7	147,397	92,812
Reserves		303,190	137,400	Security deposits		2,809	2,809
Unappropriated profit		168,516	201,304			606,774	559,793
		<b>547,756</b>	<b>414,754</b>	<b>CURRENT ASSETS</b>			
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		<b>237,843</b>	<b>238,868</b>	Stores and spares		29,189	21,279
<b>NON-CURRENT LIABILITIES</b>				Stock-in-trade		134,793	265,674
Liabilities against assets subject to finance lease		0	238	Trade debts		163,391	40,981
Staff retirement benefits - gratuity		40,503	33,514	Advances to employees - unsecured, considered good		831	608
Deferred taxation		60,238	65,005	Advance payments		11	17
		<b>100,741</b>	<b>98,757</b>	Trade deposits and prepayments		2,908	1,169
<b>CURRENT LIABILITIES</b>				Sales tax refundable		8,619	6,410
Trade and other payables		55,182	65,416	Due from Associated Companies		163	284
Short term finances		16,954	92,422	Income tax refundable, advance tax and tax deducted at source		18,017	16,373
Current portion of liabilities against assets subject to finance lease		1,039	1,536	Cash and bank balances		1,979	1,974
Taxation		7,160	2,809			<b>359,901</b>	<b>354,769</b>
		<b>80,335</b>	<b>162,183</b>				
<b>CONTINGENCIES AND COMMITMENTS</b>	5						
		<b>966,675</b>	<b>914,562</b>			<b>966,675</b>	<b>914,562</b>

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

  
**Shahnaz Sajjad Ahmad**  
 Chief Executive

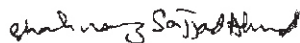
  
**Sher Ali Khan**  
 Director

## BANNU WOOLLEN MILLS LIMITED

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010

	Quarter ended		Half-year ended	
	31 December, 2010	31 December, 2009	31 December, 2010	31 December, 2009
----- (Rupees in thousand) -----				
SALES - Net	207,120	198,417	434,897	313,345
COST OF SALES	145,211	140,575	286,970	221,046
GROSS PROFIT	61,909	57,842	147,927	92,299
DISTRIBUTION COST	8,031	7,915	17,210	12,705
ADMINISTRATIVE EXPENSES	11,558	9,916	21,617	16,780
OTHER OPERATING EXPENSES	3,677	3,447	9,499	4,910
OTHER OPERATING INCOME	(234)	(449)	(574)	(1,709)
	23,032	20,829	47,752	32,686
PROFIT FROM OPERATIONS	38,877	37,013	100,175	59,613
FINANCE COST	2,702	3,451	7,989	8,041
	36,175	33,562	92,186	51,572
SHARE OF PROFIT OF ASSOCIATED COMPANIES	41,769	3,921	41,769	3,921
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES	0	(33,545)	0	(33,545)
	41,769	(29,624)	41,769	(29,624)
PROFIT BEFORE TAXATION	77,944	3,938	133,955	21,948
TAXATION				
- current	3,212	13,216	4,351	13,791
- prior years'	0	436	0	436
- deferred	(5,469)	(281)	(4,767)	5,847
	(2,257)	13,371	(416)	20,074
PROFIT / (LOSS) AFTER TAXATION	80,201	(9,433)	134,371	1,874
OTHER COMPREHENSIVE INCOME	0	0	0	0
TOTAL COMPREHENSIVE INCOME / (LOSS)	80,201	(9,433)	134,371	1,874
----- Rupees -----				
EARNINGS / (LOSS) PER SHARE	10.55	(1.24)	17.67	0.25

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

  
**Shahnaz Sajjad Ahmad**  
Chief Executive

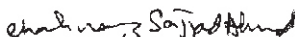
  
**Sher Ali Khan**  
Director

## BANNU WOOLLEN MILLS LIMITED

### CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010 (UN-AUDITED)

	Half-year ended	
	31 December, 2010	31 December, 2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period - before taxation and share of profit and impairment loss on investments in Associated Companies	92,186	51,572
Adjustments for non-cash charges and other items:		
Depreciation	7,287	7,466
Gain on disposal of operating fixed assets	(118)	(268)
Staff retirement benefits - gratuity (net)	6,989	6,494
Mark-up on bank deposits, dealers' and Associated Companies balances	(234)	(1,250)
Finance cost	7,989	8,041
Workers' welfare fund	1,944	720
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>116,043</b>	<b>72,775</b>
- Before working capital changes	116,043	72,775
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(7,910)	(2,977)
Stock-in-trade	130,881	68,463
Trade debts	(122,410)	(27,160)
Advances to employees	(223)	(227)
Advance payments	6	417
Trade deposits and prepayments	(1,739)	(1,249)
Sales tax refundable	(2,209)	(1,388)
Due from Associated Companies	121	2,321
<b>(Decrease) / increase in trade and other payables</b>	<b>(15,661)</b>	<b>39,468</b>
<b>CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation</b>	<b>100,382</b>	<b>112,243</b>
Taxes paid	(1,644)	(5,869)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES - After taxation</b>	<b>98,738</b>	<b>106,374</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(965)	(1,918)
Sale proceeds of operating fixed assets	1,400	405
Mark-up received on bank deposits, dealers' and Associated Companies' balances	234	1,084
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>669</b>	<b>(429)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease finances - net	(735)	(895)
Short term finances - net	(75,468)	(96,442)
Dividend paid	(15,210)	0
Finance cost paid	(7,989)	(8,041)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(99,402)</b>	<b>(105,378)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5</b>	<b>567</b>
<b>CASH AND CASH EQUIVALENTS - At beginning of the period</b>	<b>1,974</b>	<b>765</b>
<b>CASH AND CASH EQUIVALENTS - At end of the period</b>	<b>1,979</b>	<b>1,332</b>

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

  
**Shahnaz Sajjad Ahmad**  
Chief Executive

  
**Sher Ali Khan**  
Director

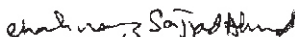


## BANNU WOOLLEN MILLS LIMITED

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010

	Share capital	Reserves		Unappropriated profit	Total
		Capital	General		
----- (Rupees in thousand) -----					
Balance as at 30 June, 2009	76,050	19,445	117,955	99,060	312,510
Profit after taxation for the half-year ended 31 December, 2009	0	0	0	1,874	1,874
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the half-year - net of deferred taxation	0	0	0	1,079	1,079
Effect of items directly credited in equity by the Associated Companies	0	0	0	20,781	20,781
Balance as at 31 December, 2009	76,050	19,445	117,955	122,794	336,244
Profit after taxation for the half-year ended 30 June, 2010	0	0	0	85,479	85,479
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the half-year - net of deferred taxation	0	0	0	1,080	1,080
Effect of items directly credited in equity by the Associated Companies	0	0	0	(8,049)	(8,049)
Balance as at 30 June, 2010	76,050	19,445	117,955	201,304	414,754
Final cash dividend @ 20% (i.e. Rs. 2 per share) for the year ended 30 June, 2010	0	0	0	(15,210)	(15,210)
Transfer to general reserve	0	0	165,790	(165,790)	0
Profit after taxation for the half-year ended 31 December, 2010	0	0	0	134,371	134,371
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation for the half-year - net of deferred taxation	0	0	0	1,025	1,025
Effect of items directly credited in equity by the Associated Companies	0	0	0	12,816	12,816
<b>Balance as at 31 December, 2010</b>	<b>76,050</b>	<b>19,445</b>	<b>283,745</b>	<b>168,516</b>	<b>547,756</b>

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

  
**Shahnaz Sajjad Ahmad**  
Chief Executive

  
**Sher Ali Khan**  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2010**

1. 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. 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 30 June, 2010.
3. 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 30 June, 2010.
4. Amendments to certain existing standards and new interpretation on approved accounting standards effective during the current period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

**5. CONTINGENCIES AND COMMITMENTS**

- 5.1 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, 2010.
- 5.2 Commitments for irrevocable letters of credit outstanding as at 31 December, 2010 aggregated Rs.21.262 million (30 June, 2010: Rs.15.211 million).

**6. PROPERTY, PLANT AND EQUIPMENT**

		<b>Un-audited Half-year ended 31 December, 2010 (Rupees in thousand)</b>	<b>Audited Year ended 30 June, 2010</b>
Operating fixed assets - tangible	<b>6.1</b>	<b>455,744</b>	461,878
Capital work-in-progress - at cost	<b>6.2</b>	<b>824</b>	2,294
		<b>456,568</b>	<b>464,172</b>

## BANNU WOOLLEN MILLS LIMITED

	Un-audited Half-year ended 31 December, 2010 (Rupees in thousand)	Audited Year ended 30 June, 2010
<b>6.1 Operating fixed assets</b>		
Opening book value	461,878	440,875
Additions during the period / year:		
<b>Owned:</b>		
- buildings on freehold land	0	1,361
- plant and machinery	891	35,079
- electric fittings	27	0
- computers	0	27
- vehicles	1,517	0
	<b>2,435</b>	<b>36,467</b>
<b>Book value of vehicles transferred:</b>		
- in to owned assets	0	1,261
- from leased assets	0	(1,261)
	<b>0</b>	<b>0</b>
Book value of assets disposed-off during the period / year	(1,282)	(220)
Depreciation charge for the period / year	(7,287)	(15,244)
Closing book value	<b>455,744</b>	<b>461,878</b>
<b>6.2 Capital work-in-progress</b>		
Plant and machinery - cost	824	824
Advance payment - vehicle	0	1,470
	<b>824</b>	<b>2,294</b>
<b>7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted</b>		
<b>Babri Cotton Mills Ltd. (BCM)</b>		
144,421 (30 June, 2010:125,584) ordinary shares of Rs.10 each including 18,837 bonus shares- <b>cost</b>	7.1	1,632
Equity held 4.34% (30 June, 2010:4.34%)		1,632
Post acquisition profit brought forward including effect of items directly credited in equity by BCM		4,365
Profit for the period / year - net of taxation		(284)
		<b>5,676</b>
		<b>11,673</b>
<b>Janana De Malucho Textile Mills Ltd. (JDM)</b>		
1,559,230 (30 June, 2010:1,559,230) ordinary shares of Rs.10 each - <b>cost</b>	7.2	27,762
Equity held 36.21% (30 June, 2010: 36.21%)		27,762
Post acquisition profit brought forward including effect of items directly credited in equity by JDM		71,869
Profit for the period / year - net of taxation		25,361
		<b>36,093</b>
		<b>135,724</b>
		<b>147,397</b>
		<b>92,812</b>

7.1 Fair value of investments in BCM as at 31 December, 2010 was Rs.1.665 million (30 June, 2010: Rs.1.644 million).

7.2 Fair value of investments in JDM as at 31 December, 2010 was Rs.24.948 million (30 June, 2010: Rs.22.375 million).

**8. TRANSACTIONS WITH RELATED PARTIES**

Un-audited      Un-audited  
Half-year ended      Half-year ended  
**31 December, 31 December,**  
**2010                      2009**  
**(Rupees in thousand)**

8.1 Aggregate transactions made during the period with the Associated Companies were as follows:

- purchase of goods and services	191	1,164
- sale of goods	0	137
- sale of a vehicle	1,400	0
- mark-up earned	0	353
- mark-up charged	62	39
- management charges:		
- paid	0	62
- received	0	663
- insurance premium paid	2,041	2,453

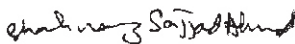
8.2 No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were executed with other related parties during the period.

**9. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 28th February, 2011.

**10. GENERAL**

- 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

  
**Sher Ali Khan**  
Director

**PRINTED MATTER**

(Under Postal Certificate)

If undelivered please return to  
Share Department  
**BANNU WOOLLEN MILLS LIMITED**  
Habibabad - KOHAT