

BANNU WOOLLEN MILLS LIMITED

COMPANY'S PROFILE

Nine month ended 31-03-2011

| | |
|--|--|
| 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 Chairman MR. AHMAD KULI KHAN KHATTAK Member MR. MUSHTAQ AHMAD KHAN, FCA 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 | 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 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 bwmltd@brain.net.pk bannuwoollen@yahoo.com Web Site " www.bwm.com.pk " |

BANNU WOOLLEN MILLS LTD.
DIRECTOR'S REPORT TO THE MEMBERS
FOR THE NINE MONTHS ENDED 31 MARCH, 2011

The Company's Board of Directors is pleased to present the un-audited financial statements and the Directors report ON Company's performance for the nine months ended 31 March, 2011 vis-a-vis corresponding period, which is summarized as under:-

| | Nine months ended | |
|------------------------------------|--------------------|----------------|
| | 31-Mar-11 | 31-Mar-10 |
| | Rupees in thousand | |
| Net Sales | 525,602 | 365,145 |
| Cost of Sales | 358,331 | 262,961 |
| Gross profit | 167,271 | 102,184 |
| Operating profit less Finance cost | 93,395 | 45,530 |
| Profit (loss) after taxation | 136,553 | (1,831) |
| Earnings (loss) per share | Rs. 17.96 | (0.24) |

- 1) Sales increased by Rs.160.457 million (43.94%) over the corresponding period of last nine months, which comprises Rs. 90.121(m) increase in sales prices, whereas 218,440 meters cloth & 10.581 nos shawls amounting to Rs.69.660(m) were sold excess, resulting in favourable volume & price variance.
- 2) Gross profit percentage for the nine months ended 31-03-2011 has improved over the corresponding period from 27.98% to 31.82%.
- 3) Cost of sales increased by Rs. 95.370 million (63.70%) which comprises Rs.43.583 (m) increase in prices of imported wool & yarn, Rs. 5.384 (m) in power & fuel, Rs. 0.975(m) in dyes / chemicals & Rs.13.800(m) increase in salary, wages & benefits.
- 4) Increase over the corresponding period in administrative & distribution expenses amounted to Rs. 11.509 (M) which comprises, net increase of Rs. 5.380(m) in salary, wages & benefits and Rs.6.129(m) increase in Commission of selling agents due to higher sales amounting to Rs. 159.781(m).
- 5) Decrease of Rs.0.722 (m) in finance cost was due to decrease in mark-up on the lesser volume of import L/Cs & on leased vehicles. Markup subsidy on KPK package amounting Rs. 0.597(m) has also resulted in reduction of financial cost.
- 6) Increase of Rs. 43.389 (m) (not yet due for payment) in books debts is due to higher sales of Rs. 159.781 (m) (43.96%) in the nine months period including Rs. 38.905(m) excess sales made in the quarter ended 31-03-2011. Recovery of book debts is considered satisfactory, Execution proceedings of the civil suit decreed in our favour are in progress.
- 7) Earnings (loss) per share has increased from Rs. (0.24) (31-03-2010) to Rs. 17.96 for the current nine months ended on 31-03-2011.
- 8) **Future outlook:-**
 Unscheduled power outages, and unprecedented increase in prices of imported wool & other raw materials and recent levy of sales tax on manufacturers & wholesalers, are likely to effect the results of the next period.

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 deteriorating law & order, persistent load shedding & poor economic conditions.

for & on behalf of Board of Directors

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2011

| | Un-audited 31 March, 2011 | Audited 30 June, 2010 | | Un-audited 31 March, 2011 | Audited 30 June, 2010 |
|--|---------------------------------|-----------------------------|---|---------------------------------|-----------------------------|
| Note | (Rupees in thousand) | | Note | (Rupees in thousand) | |
| EQUITY AND LIABILITIES | | | ASSETS | | |
| SHARE CAPITAL AND RESERVES | | | NON-CURRENT ASSETS | | |
| Authorised capital | <u>100,000</u> | <u>100,000</u> | Property, plant and equipment | 6 | 456,601 |
| Issued, subscribed and paid-up capital | 76,050 | 76,050 | Investments in Associated Companies | 7 | 147,397 |
| Reserves | 303,190 | 137,400 | Security deposits | | 3,238 |
| Unappropriated profit | 171,211 | 201,304 | | | 2,809 |
| | <u>550,451</u> | <u>414,754</u> | | | <u>607,236</u> |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | 237,330 | 238,868 | CURRENT ASSETS | | |
| NON-CURRENT LIABILITIES | | | Stores and spares | | 29,966 |
| Liabilities against assets subject to finance lease | 0 | 238 | Stock-in-trade | | 174,624 |
| Staff retirement benefits - gratuity | 52,727 | 33,514 | Trade debts | | 82,837 |
| Deferred taxation | 58,356 | 65,005 | Advances to employees - unsecured, considered good | | 889 |
| | <u>111,083</u> | <u>98,757</u> | Advance payments | | 15 |
| CURRENT LIABILITIES | | | Trade deposits and prepayments | | 32,567 |
| Trade and other payables | 59,270 | 65,416 | Sales tax refundable | | 10,101 |
| Short term finances | 0 | 92,422 | Due from Associated Companies | | 119 |
| Current portion of liabilities against assets subject to finance lease | 648 | 1,536 | Income tax refundable, advance tax and tax deducted at source | | 18,695 |
| Taxation | 8,069 | 2,809 | Cash and bank balances | | 9,802 |
| | <u>67,987</u> | <u>162,183</u> | | | <u>359,615</u> |
| CONTINGENCIES AND COMMITMENTS | | | | | <u>354,769</u> |
| 5 | <u>966,851</u> | <u>914,562</u> | | | <u>966,851</u> |
| | | | | | <u>914,562</u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED 31 MARCH, 2011

| | For the 3rd Quarter | | Nine months ended | |
|--|----------------------------------|-----------------------|-----------------------|-----------------------|
| | Jan. - March, | | July - March, | |
| | 2011 | 2010 | 2011 | 2010 |
| | ----- (Rupees in thousand) ----- | | | |
| SALES - Net | 90,705 | 51,800 | 525,602 | 365,145 |
| COST OF SALES | 71,361 | 41,915 | 358,331 | 262,961 |
| GROSS PROFIT | <u>19,344</u> | <u>9,885</u> | <u>167,271</u> | <u>102,184</u> |
| DISTRIBUTION COST | 3,776 | 2,073 | 20,986 | 14,777 |
| ADMINISTRATIVE EXPENSES | 14,693 | 14,229 | 36,310 | 31,009 |
| OTHER OPERATING EXPENSES | 213 | (659) | 9,712 | 4,252 |
| OTHER OPERATING INCOME | (431) | (271) | (1,005) | (1,979) |
| | 18,251 | 15,372 | 66,003 | 48,059 |
| PROFIT FROM OPERATIONS | <u>1,093</u> | <u>(5,487)</u> | <u>101,268</u> | <u>54,125</u> |
| FINANCE COST | (116) | 555 | 7,873 | 8,595 |
| | <u>1,209</u> | <u>(6,042)</u> | <u>93,395</u> | <u>45,530</u> |
| SHARE OF PROFIT OF ASSOCIATED COMPANIES | 0 | 0 | 41,769 | 3,921 |
| IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES | 0 | 0 | 0 | (33,545) |
| | 0 | 0 | 41,769 | (29,624) |
| PROFIT BEFORE TAXATION | <u>1,209</u> | <u>(6,042)</u> | <u>135,164</u> | <u>15,906</u> |
| TAXATION | | | | |
| - current | 909 | (2,078) | 5,260 | 11,563 |
| - prior years' | 0 | 0 | 0 | 436 |
| - deferred | (1,882) | (225) | (6,649) | 5,738 |
| | <u>(973)</u> | <u>(2,303)</u> | <u>(1,389)</u> | <u>17,737</u> |
| PROFIT / (LOSS) AFTER TAXATION | <u>2,182</u> | <u>(3,739)</u> | <u>136,553</u> | <u>(1,831)</u> |
| OTHER COMPREHENSIVE INCOME | 0 | 0 | 0 | 0 |
| TOTAL COMPREHENSIVE INCOME / (LOSS) | <u><u>2,182</u></u> | <u><u>(3,739)</u></u> | <u><u>136,553</u></u> | <u><u>(1,831)</u></u> |
| | ----- Rupees ----- | | | |
| EARNINGS / (LOSS) PER SHARE | <u><u>0.29</u></u> | <u><u>(0.49)</u></u> | <u><u>17.96</u></u> | <u><u>(0.24)</u></u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 31 MARCH, 2011 (UN-AUDITED)

| | Nine months ended | |
|--|-------------------|-------------------|
| | 31 March, 2011 | 31 March, 2010 |
| (Rupees in thousand) | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit for the period - before taxation and share of profit and impairment loss on investments in Associated Companies | 93,395 | 45,530 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 10,987 | 11,503 |
| Gain on disposal of operating fixed assets | (118) | (268) |
| Provision for obsolete stores and spares | 500 | 0 |
| Staff retirement benefits - gratuity (net) | 19,213 | 6,248 |
| Mark-up on bank deposits, dealers' and Associated Companies balances | (468) | (1,395) |
| Finance cost | 7,873 | 8,595 |
| Workers' welfare fund | 2,030 | 594 |
| CASH INFLOW FROM OPERATING ACTIVITIES | | |
| - Before working capital changes | 133,412 | 70,807 |
| (Increase) / decrease in current assets | | |
| Stores and spares | (9,186) | (4,134) |
| Stock-in-trade | 91,050 | 35,696 |
| Trade debts | (41,856) | 11,901 |
| Advances to employees | (281) | (774) |
| Advance payments | 1 | 425 |
| Trade deposits and prepayments | (31,398) | (817) |
| Sales tax refundable | (3,691) | (1,485) |
| Due from Associated Companies | 164 | 4,945 |
| (Decrease) / increase in trade and other payables | (8,176) | 12,135 |
| | (3,373) | 57,892 |
| CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation | 130,039 | 128,699 |
| Taxes paid | (2,322) | (7,761) |
| Long term deposits - net | (429) | |
| | (2,751) | (7,761) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES - After taxation | 127,288 | 120,938 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (4,697) | (3,057) |
| Sale proceeds of operating fixed assets | 1,400 | 438 |
| Mark-up received on bank deposits, dealers' and Associated Companies' balances | 468 | 1,028 |
| NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES | (2,829) | (1,591) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Lease finances - net | (1,126) | (1,225) |
| Short term finances - net | (92,422) | (108,945) |
| Dividend paid | (15,210) | 0 |
| Finance cost paid | (7,873) | (8,595) |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | (116,631) | (118,765) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 7,828 | 582 |
| CASH AND CASH EQUIVALENTS - At beginning of the period | 1,974 | 765 |
| CASH AND CASH EQUIVALENTS - At end of the period | 9,802 | 1,347 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

BANNU WOOLLEN MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 MARCH, 2011 (UN-AUDITED)

| | 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 for the nine months ended 31 March, 2010 | 0 | 0 | 0 | (1,831) | (1,831) |
| 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 | 1,619 | 1,619 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 20,781 | 20,781 |
| Balance as at 31 March, 2010 | 76,050 | 19,445 | 117,955 | 119,629 | 333,079 |
| Profit for the 4th quarter ended ended 30 June, 2010 | 0 | 0 | 0 | 89,184 | 89,184 |
| 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 | 540 | 540 |
| 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 for the nine months ended 31 March, 2011 | 0 | 0 | 0 | 136,553 | 136,553 |
| 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 | 1,538 | 1,538 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 12,816 | 12,816 |
| Balance as at 31 March, 2011 | 76,050 | 19,445 | 283,745 | 171,211 | 550,451 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

BANNU WOOLLEN MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH, 2011

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 March, 2011 aggregated Rs.62.403 million (30 June, 2010: Rs.15.211 million).

6. PROPERTY, PLANT AND EQUIPMENT

| | | Un-audited | Audited |
|------------------------------------|-------------|-----------------------------|------------|
| | | Nine months ended | Year ended |
| | | 31 March, | 30 June, |
| | | 2011 | 2010 |
| | Note | (Rupees in thousand) | |
| Operating fixed assets - tangible | 6.1 | 455,699 | 461,878 |
| Capital work-in-progress - at cost | 6.2 | 902 | 2,294 |
| | | 456,601 | 464,172 |
| | | 456,601 | 464,172 |

| | Un-audited Nine months ended 31 March, 2011 (Rupees in thousand) | Audited Year ended 30 June, 2010 |
|---|--|---|
| 6.1 Operating fixed assets | | |
| Opening book value | 461,878 | 440,875 |
| Additions during the period / year: | | |
| Owned: | | |
| - buildings on freehold land | 0 | 1,361 |
| - plant and machinery | 891 | 35,079 |
| - electric fittings | 27 | 0 |
| - computers | 0 | 27 |
| - arms | 517 | |
| - vehicles | 4,655 | 0 |
| | 6,090 | 36,467 |
| Book value of vehicles transferred: | | |
| - in to owned assets | 0 | 1,261 |
| - from leased assets | 0 | (1,261) |
| | 0 | 0 |
| Book value of assets disposed-off during the period / year | (1,282) | (220) |
| Depreciation charge for the period / year | (10,987) | (15,244) |
| Closing book value | 455,699 | 461,878 |
| 6.2 Capital work-in-progress | | |
| Plant and machinery - cost | 902 | 824 |
| Advance payment - vehicle | 0 | 1,470 |
| | 902 | 2,294 |
| 7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted | | |
| Babri Cotton Mills Ltd. (BCM) | | |
| 144,421 (30 June, 2010:125,584) ordinary shares of Rs.10 each including 18,837 bonus shares- cost | 7.1 | 1,632 |
| Equity held 4.34% (30 June, 2010:4.34%) | | |
| Post acquisition profit brought forward including effect of items directly credited in equity by BCM | | (284) |
| Profit for the period / year - net of taxation | | 3,926 |
| | | 11,673 |
| Janana De Malucho Textile Mills Ltd. (JDM) | | |
| 1,559,230 (30 June, 2010:1,559,230) ordinary shares of Rs.10 each - cost | 7.2 | 27,762 |
| Equity held 36.21% (30 June, 2010: 36.21%) | | |
| Post acquisition profit brought forward including effect of items directly credited in equity by JDM | | 25,361 |
| Profit for the period / year - net of taxation | | 34,415 |
| | | 135,724 |
| | | 147,397 |

7.1 Fair value of investments in BCM as at 31 March, 2011 was Rs. 2.514 million (30 June, 2010: Rs.1.644 million).

7.2 Fair value of investments in JDM as at 31 March, 2011 was Rs. 27.598 million (30 June, 2010: Rs.22.375 million).

8. TRANSACTIONS WITH RELATED PARTIES

Un-audited
Nine months ended
31 March, 2011 **31 March,**
2010
(Rupees in thousand)

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

| | | |
|----------------------------------|--------------|-------|
| - purchase of goods and services | 191 | 2,929 |
| - sale of goods | 0 | 170 |
| - sale of a vehicle | 1,400 | 0 |
| - mark-up earned | 0 | 451 |
| - mark-up charged | 62 | 84 |
| - management charges: | | |
| - paid | 0 | 403 |
| - received | 0 | 1,377 |
| - insurance premium paid | 2,495 | 2,591 |

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 April, 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.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR