

HALF YEARLY ACCOUNTS DECEMBER, 2019

BIBOJEE GROUP



**BABRI COTTON MILLS
LIMITED**

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COMPANY'S PROFILE

BOARD OF DIRECTORS	Dr. Hamid Zeb Khan - Chairman Mr. Raza Kuli Khan Khattak-Chief Executive Mr. Gohar Ayub Khan Dr. Shaheen Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak Mr. Zahid Said Mr. Omar Khan Afridi Mr. Amin Ullah Khan Mr. Ahad Khattak	
AUDIT COMMITTEE	Mr. Zahid Said Mr. Amin Ullah Khan Dr. Shaheen Kuli Khan Khattak	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Omar Khan Afridi Mr. Raza Kuli Khan Khattak Mr. Zahid Said	Chairman Member Member
COMPANY SECRETARY	Mr. Naeem Ullah Malik ACCA	
CHIEF FINANCIAL OFFICER	Mr. Noor-un-Nabi ACA, APA	
INTERNAL AUDITOR	Mr. Nasir Ali Khan ACCA, APA	
AUDITORS	M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants	
SHARE REGISTRARS	Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Tel: (021)32424826, 32412754 Fax: (021)32424835	
BANKERS	National Bank of Pakistan The Bank of Khyber	
Legal Adviser	M/s Hassan & Hassan, Advocate Paaf building, 1-D, Kashmir/Egerton Road Lahore	
Tax Consultant	M. Nawaz Khan & Co. Ground Floor, Farrah Centre, 2-Mozang Road, Lahore	
REGISTERED OFFICE & MILLS	Habibabad, Kohat Tel: (0922) 862285-862284 Fax: (0922) 862283 Website: www.bcm.com.pk E-mail: info@bcm.com.pk	

BABRI COTTON MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Babri Cotton Limited is presenting the report on the performance of the Company together with the auditor's reviewed financial statements for the six month period ended December 31, 2019. This financial information is submitted in accordance with Sec 227 of the Companies Act 2017.

Financial Results

Operating results of the Company compared with previous period are as under:

	Quarter ended (Oct-Dec)		Cumulative (July-Dec)	
	2019	2018	2019	2018
	----- Rupees in thousand -----			
Sales - net	576,770	639,077	897,535	1,078,370
Gross (Loss) / Profit	(7,700)	(2,585)	(31,836)	30,506
Loss from Operations	(38,696)	(25,077)	(83,207)	(11,702)
Loss before Taxation	(80,445)	(51,665)	(166,984)	(56,752)
Loss after Taxation	(98,504)	(8,415)	(159,947)	(12,268)
Loss Per Share	(26.97)	(2.30)	(43.80)	(3.36)

Review of Operations

During half year period under review, turnover of the company has reduced by Rs.180.835 Million (16.7%) and the related cost of sales has also decreased by Rs.118,493 Million (11.3%), thereby resulting in gross **LOSS** of Rs.31.836 Million as compared to the gross **PROFIT** of Rs.30.506 Million during corresponding period. The company's loss before taxation of Rs.166.984 Million, during the current reviewed period, has substantially been increased by 194% from a loss of Rs.56.752 Million as compared to previous period. The company suffered a gross loss of Rs.24.136 Million (7.5% of sales) during first quarter ended September-19, but during second quarter ended December-19, there was nominal gross loss of Rs.7.700 Million (1.3% of sales).

Main reasons of significant amount of Loss are uncontrollable factors such as the exclusion of textile segment from zero rated industry, and implementation of high rated general sales tax. Our sale is targeted in local market and the industry of Faisalabad was not willing to absorb the sales tax, resulting in increased cost of sales. Secondly, our major customers are un-registered and the strict conditions regarding the provision of CNIC from the traders have created an extremely critical situation of uncertainty and deadlock which is reflected in these quarterly results. Moreover, during the period under review we have faced under-utilization of our production capacities due to strikes by Faisalabad traders, which has badly affected our sales volumes.

It is pertinent to mention that our company is now trying to reduce costs at every level during the current period and moving towards break-even bottom line results in subsequent months.

The Industry

Pakistani textile industry, after years of suffering losses, is hopeful about its future prospects. As a result of the progressive policies and personal interest of the Prime Minister, especially by providing regionally competitive energy tariffs, the textile industry is expected to become viable after remaining in the red for 10 long years, according to a statement issued by All Pakistan Textile Mills Association (APTMA).

Future Prospects

In the latest reports, Pakistan's Total Exports recorded 1.99 USD billion in Dec 2019, which is down 4pc over \$2.07 billion in corresponding month last year and total Imports recorded 3.9 USD billion, which registered decline of 10.33pc over 4.40 USD billion. Moreover, the government's corrective measures to slow down imports in order to reduce pressures on foreign exchange reserves resulted in an overall demand slump.

The future of growth of textile industry mainly depends on the actual realization of the supports announced by the Government, timely release of refunds to exporters and on availability of financial support from the banks. Prime Minister is now taking ownership and stewardship of the industry and chaired over a dozen meetings with the industry. Appointment of a dedicated Task Force by the Government to not only formulate but ensure implementation of a progressive textile policy, the industry is expecting better future prospects in coming years.

Our management has been continuously monitoring and implementing timely decision-makings to attain more financial and operational efficiencies, and will continue to put its best efforts to achieve growth and improved financial results for the company and its stakeholders.

Code of Corporate Governance Reporting and Disclosure Requirement

Composition of the Board

The Board of Directors of the Company as at 31st December, 2019, constitutes as follows:

1. The total number of directors are 9 (Nine) as per the following:

(a) **Male: Eight (08)**

- 1) Dr. Hamid Zeb Khan – Chairman
- 2) Mr. Raza Kuli Khan Khattak – Chief Executive
- 3) Mr. Gohar Ayub Khan
- 4) Mr. Sikandar Kuli Khan Khattak
- 5) Mr. Zahid Said
- 6) Mr. Omar Khan Afridi
- 7) Mr. Amin Ullah Khan
- 8) Mr. Ahad Khattak

(b) **Female: One (01)**

- 1) Dr. Shaheen Kuli Khan Khattak

2. The composition of board is as follows:

1) **Independent Director:**

- 1) Mr. Zahid Said
- 2) Mr. Omar Khan Afridi
- 3) Dr. Hamid Zeb

2) **Other Non-executive Director**

- 1) Mr. Gohar Ayub Khan
- 2) Dr. Shaheen Kuli Khan Khattak
- 3) Mr. Ahad Khattak
- 4) Mr. Amin Ullah Khan

3) **Executive Director**

- 1) Mr. Raza Kuli Khan Khattak
- 2) Mr. Sikandar Kuli Khan Khattak

Composition of Board Committees

The board has formed committees comprising of members given below:

Audit Committee

- Mr. Zahid Said- **Chairman**
- Dr. Shaheen Kuli Khan Khattak- **Member**
- Mr. Amin Ullah Khan- **Member**

HR and Remuneration Committee

- Mr. Omar Khan Afridi- **Chairman**
- Mr. Zahid Said- **Member**
- Mr. Raza Kuli Khan Khattak- **Member**

The terms of reference for these committees have been developed, communicated and properly implemented.

Remuneration to Directors

Details of remuneration paid to directors of the company during the period are provided in the financial statements. Only meeting fee is paid to non-executive directors. We are also formulating comprehensive policy for it in line with the guidelines provided in Code of Corporate Governance Regulations and Companies Act, 2017.

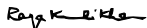
Comment on “Emphasis of Matter Paragraph” in the Auditor's Report

The Gas Infrastructure Development Cess (GIDC) issue has been currently challenged in the Honorable Supreme Court of Pakistan. The legal counsel hired by the APTMA has informed that our grounds of appeals in this case are quite strong and valid enough. We are, therefore, hopeful that the decision of the Court will be in favor of the Industry. The Peshawar High Court and Honorable Supreme Court of Pakistan in our earlier appeals have already declared the GIDC Act, 2011 and GIDC Ordinance, 2014 as an unconstitutional and we are of the considered opinion that GIDC Act, 2015 will also be struck down by the learned courts.

Acknowledgement

The Board would like to express its sincere gratitude to all customers, suppliers and bankers, Government authorities, shareholders and other stakeholders for their continuous support and cooperation. The Directors also wish to place on record their appreciation for the hard work and devoted services of the staff members and workers of the company.

On behalf of the Board of Directors


Raza Kuli Khan Khattak
Chief Executive

On behalf of the Board of Directors


Sikandar Kuli Khan Khattak
Director

Kohat
Dated: February 24, 2020

ڈائریکٹرز رپورٹ برائے حصہ داران

بابری کاٹن ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2019 کو ختم ہونے والے 6 ماہ کی مدت کے لئے آڈیٹر کے جائزہ مالیاتی بیانات کے ساتھ کمپنی کی کارکردگی سے متعلق رپورٹ پیش کرتے ہیں۔ یہ مالیاتی معلومات کمپنیز ایکٹ 2017 کے سیکشن 227 کے مطابق جمع کروائی گئی ہے۔

مالی نتائج:

چھپلے دور کے مقابلے میں کمپنی کے آپریٹنگ نتائج درج ذیل ہیں

دوسری سہ ماہی ختم ہوا (اکتوبر - دسمبر)		مجموعی (جولائی - دسمبر)	
2019	2018	2019	2018
----- روپے ہزاروں میں -----			
خالص فروخت	576,770	897,535	1,078,370
مجموعی (خسارہ) منافع	(7,700)	(31,836)	30,506
آپریٹنگ منافع	(38,696)	(83,207)	(11,702)
غفل ازنگین خسارہ	(80,445)	(166,984)	(56,752)
بعد ازنگین خسارہ	(98,504)	(159,947)	(12,268)
نقصان فی شیئر	(26.97)	(43.80)	(3.36)

آپریٹنگ کا جائزہ:

زیر نظر آدھے سال کی مدت کے دوران، کمپنی کا کاروبار -180.835 ملین روپے (16.7%) کم ہوا ہے اور فروخت سے متعلقہ لاگت میں بھی -118.493 ملین روپے (11.3%) کی کمی واقع ہوئی ہے، جس کے نتیجے میں مجموعی گھٹاؤ -31.836 ملین روپے ہے اسی مدت کے دوران 30.506 ملین روپے کے مجموعی منافع کے مقابلے میں موجودہ نظر ثانی کی مدت کے دوران، کمپنی کو 166.984 ملین روپے قبل ازنگین ادا کیے گئے ہونے والے نقصان میں، گزشتہ ادوار کے مقابلے میں 56.752 ملین روپے کے خسارے سے 194% حد تک اضافہ کیا گیا ہے۔ کمپنی کو ختم ہونے والی پہلی سہ ماہی کے دوران 24.136 ملین روپے (فروخت کا 7.5%) کا مجموعی نقصان ہوا، لیکن دسمبر -19 کو ختم ہونے والی دوسری سہ ماہی کے دوران 7.700 ملین روپے (فروخت کا 1.3%) کا معمولی مجموعی نقصان ہوا۔

نقصان کے قابل ذکر مقدار کی بنیادی وجوہات ہے قایم واصل ہیں جیسے ٹیکسٹائل ٹیکسٹ کوڑے اور بڑے انڈسٹری سے خارج کرنا، اور عام ٹیکسٹائل کا نفاذ۔ ہماری فروخت کو مقامی مارکیٹ میں نشانہ بنایا گیا ہے اور فیصل آباد کی صنعت ٹیکسٹائل کو تسلیم کرنے پر راضی نہیں تھی جس کے نتیجے میں فروخت کی لاگت میں اضافہ ہوا۔ سیکٹر، ہمارے بڑے گاہک غیر متنسز ہیں اور تا جروس سے سی این آئی کی فراہمی سے متعلق سخت شرائط نے غیر یقینی صورتحال اور قفل کی انتہائی نازک صورتحال پیدا کر دی ہے جو ان سہ ماہی نتائج میں ظاہر ہوئی ہے۔ مزید برآں، جائزہ لینے کے دوران ہمیں فیصل آباد کے تاجروں کی ہڑتالوں کی وجہ سے اپنی پیداواری صلاحیتوں کو کم استعمال کرنے کا سامنا کرنا پڑا ہے، جس نے ہماری فروخت کی مقدار کو بری طرح متاثر کیا ہے۔

یہ ذکر کرنا مناسب ہے کہ ہماری کمپنی اب موجودہ دوراے کے دوران ہر سطح پر لاگت کو کم کرنے اور اگلے مہینوں کے اچھے نتائج کی طرف بڑھنے کے کوشش کر رہی ہے۔

صنعت:

پاکستانی ٹیکسٹائل کی صنعت، برسوں کے نقصانات کے بعد، اپنے مستقبل کے امکانات کے بارے میں پرامید ہے۔ آل پاکستان ٹیکسٹائل ملز ایسوسی ایشن کے جاری کردہ ایک بیان کے مطابق، ترقیاتی پالیسیاں اور روزمرہ نظام کی ذاتی دلچسپی کے نتیجے میں، خاص طور پر علاقائی طور پر مسابقتی توانائی کے زخموں کی فراہمی کے ذریعے، ٹیکسٹائل کی صنعت 10 سال تک سرخ رنگ میں رہنے کے بعد قابل عمل ہو جائے گی۔

مستقبل کے امکانات:

تازہ ترین اطلاعات میں، دسمبر 2019 میں پاکستان کی کل برآمدات میں 1.99 ارب امریکی ڈالر ریکارڈ ہوئے، جو پچھلے سال کے اسی مہینے میں 2.07 ملین سے 4 فیصد کم ہے اور درآمدات میں 3.9 ملین امریکی ڈالر کا اضافہ ریکارڈ کیا گیا۔ جس نے 4.40 ارب امریکی ڈالر سے زیادہ 10.33% کی کمی ریکارڈ کی۔ مزید یہ کہ غیر ملکی زرمبادلہ کے ذخائر پر ہاؤ کم کرنے کے لئے درآمدات کے کم کرنے کے لئے حکومت کے اصلاحی اقدامات کے نتیجے میں مجموعی طور پر طلب میں کمی واقع ہوئی۔

ٹیکسٹائل انڈسٹری کی ترقی کا مستقبل بنیادی طور پر حکومت کی طرف سے اعلان کردہ تائیدات کی حقیقی ادراک پر مشتمل ہے، برآمد کنندگان کو ٹیکسوں سے مالی اعانت کی فراہمی اور دولت پر قوم کی واپسی کا بروقت اجراء۔ وزیراعظم اب اس صنعت کی ملکیت اور مدداری لے رہے ہیں اور اس صنعت کے ساتھ کافی زیادہ بینکنگ کی صدارت کر چکے ہیں۔ ترقی پسند ٹیکسٹائل پالیسی کو نصف مرتب کرنے بلکہ اس پر عمل درآمد کو یقینی بنانے کے لئے حکومت کے ذریعہ ایک سرشار ناکس فورس کی تقرری صنعت آنے والے سالوں میں مستقبل کے بہتر امکانات کی توقع کر رہی ہے۔

ہماری انتظامیہ زیادہ مالی اور آپریشنل صلاحیتوں کو حاصل کرنے کے لئے بروقت فیصلہ سازی کی گہرائی اور اس پر عمل درآمد کر رہی ہے، کمپنی اور اس کے اسٹیک ہولڈرز کے لئے ترقی اور بہتر مالی نتائج کے حصول کے لئے اپنی پوری کوشش جاری رکھے گا۔

کارپوریٹ گورننس رپورٹنگ اور انکشاف کی ضرورت کا کوڈ

بورڈ کی ساخت:

31 دسمبر 2019 کو کمپنی کے بورڈ آف ڈائریکٹرز کی ساخت مندرجہ ذیل ہے۔

1۔ 9 افراد پر مشتمل ممبران کے نام درج ذیل ہیں۔

A. میل (08)

- 1۔ جناب ڈاکٹر حامد زریب چیئر مین
- 2۔ جناب رضا علی خان خٹک چیف ایگزیکٹو
- 3۔ جناب گوبرا یوب خان
- 4۔ جناب سکندر علی خان خٹک
- 5۔ جناب زاہد سید

6- جناب عمران آفریدی

7- جناب امین اللہ خان

8- جناب احد خٹک

B. فیمل (01)

1- ڈاکٹر شاپین قلی خان خٹک

2- بورڈ کی تشکیل مندرجہ ذیل ہے۔

1- ایڈمنسٹریٹو ہیڈ ڈائریکٹر

1- جناب زاہد سید

2- جناب عمران آفریدی

3- جناب ڈاکٹر حامد زبیر

2- دوسرے نان ایکوئیٹیڈ ڈائریکٹر

1- جناب گوہر ایوب خان

2- ڈاکٹر شاپین قلی خان خٹک

3- جناب احد خٹک

4- جناب امین اللہ خان

3- ایکوئیٹیڈ ڈائریکٹر

1- جناب رضا قلی خان خٹک

2- جناب سکندر قلی خان خٹک

بورڈ کی کمیٹیوں کی ساخت:

بورڈ نے مندرجہ ذیل دیئے گئے ممبروں پر مشتمل کمیٹی قائم کی ہے۔

1- آؤٹ کمیٹی

جناب زاہد سید (چیرمین)

ڈاکٹر شاپین قلی خان خٹک (رکن)

جناب امین اللہ خان (رکن)

2- ایچ آر اینڈ ریویریشن کمیٹی

جناب عمران آفریدی (چیرمین)

جناب زاہد سید (رکن)

جناب رضا قلی خان خٹک (رکن)

ان کمیٹیوں کے شرائط و ضوابط کو حشر کیا گیا جس کو لاگو کرنے کے لئے اطلاع دی گئی۔

ڈائریکٹرز کا معاوضہ:

سال کے دوران کمپنی کے ڈائریکٹر کو معاوضے کی ادائیگی کی تفصیلات مالی بیانات میں فراہم کی جاتی ہے۔ نان ایکوئیٹیڈ ڈائریکٹر کو صرف میٹنگ کی فیس ادا کی جاتی ہے۔ ہم اس کے لئے بورڈ آف کارپوریٹ گورننس ریگولیشنز اینڈ کنٹینر ایکٹ 2017 میں فراہم کردہ رہنما اصولوں کے مطابق جامع پالیسی بھی مرتب کر رہے ہیں۔

آڈیٹرز کی رپورٹ میں "معاملہ پیرا گراف پر تبصرہ"

گیس انفراسٹرکچر ڈیولپمنٹ سیس (جی آئی ڈی سی) کے معاملے کو فی الحال پاکستان کی سپریم کورٹ میں چیلنج کیا گیا ہے۔ آل پاکستان نیگوشیئل ٹریڈ ایسوسی ایشن کے ذریعہ رکھے گئے قانونی وکیل نے آگاہ کیا ہے کہ اس معاملے میں ہماری ایپلوں کی بنیادیں کافی مضبوط اور کافی حد تک درست ہیں۔ لہذا، ہمیں امید ہے کہ عدالت کا فیصلہ اڈسٹری کے حق میں ہوگا۔ پشاور ہائی کورٹ اور محترم سپریم کورٹ آف پاکستان نے ہماری سابقہ ایپلوں میں جی آئی ڈی سی ایکٹ 2011 اور جی آئی ڈی سی آرڈیننس 2014 کو چیلنجی غیر آئینی قرار دے دیا ہے اور ہمارے خیال میں یہ رائے ہے کہ عدالتیں جی آئی ڈی سی ایکٹ 2015 کو بھی منسے کے بعد ختم کر دیا جائے گا۔

اعتراف:

بورڈ تمام صارفین، سپلائرز، بینکروں، سرکاری حکام، حصص یافتگان اور دیگر اسٹیک ہولڈرز کے مستقل تعاون کی تعریف کرتے ہیں۔ ڈائریکٹرز انتظامیہ اور کمپنی کے کارکنوں کی محنت اور سرشار خدمات کو قدر کی نگاہ سے دیکھتے ہیں۔

کوہاٹ
تاریخ: 24 فروری 2020

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

Raja K. Khan

رکن رضا قلی خان خٹک

چیف ایگزیکٹو آفیسر

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

S. K. K. Khattar

سکندر قلی خان خٹک

ڈائریکٹر

**Independent Auditors' Review Report to the Members of
Babri Cotton Mills Limited**

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Babri Cotton Mills Limited** (the Company) as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

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 condensed interim financial statements 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 as applicable in Pakistan 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 statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 15.1 to the condensed interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.601.116 million.

The engagement partner on the review resulting in this independent auditors' review report is Nafees ud din.

Shinewing Hameed Chaudhri & Co.

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

LAHORE: 24 February, 2020

BABRI COTTON MILLS LIMITED

Condensed Interim Statement of Financial Position as at December 31, 2019

		Dec. 31, 2019 Un-audited	June 30, 2019 Audited
Assets			
Non-current assets	Note	Rupees in thousand	
Property, plant and equipment	6	1,732,722	1,714,667
Investments in an Associated Company	7	239,281	228,654
Long term loans		264	41
Security deposits		1,033	1,033
		<u>1,973,300</u>	<u>1,944,395</u>
Current assets			
Stores, spares and loose tools		25,338	31,466
Stock-in-trade		541,164	885,385
Trade debts		44,400	308
Loans and advances		16,686	11,515
Prepayments		3,996	1,577
Other receivables		5,886	2,895
Sales tax refundable	8	0	79,971
Income tax refundable, advance tax and tax deducted at source		43,774	47,183
Cash and bank balances		5,098	2,952
		<u>686,342</u>	<u>1,063,252</u>
Total assets		<u>2,659,642</u>	<u>3,007,647</u>
Equity and liabilities			
Equity			
Authorised capital		250,000	250,000
Issued, subscribed and paid-up capital		36,522	36,522
Capital reserves			
- share premium		15,096	15,096
- revaluation surplus on property, plant and equipment	9	927,442	898,868
Revenue reserves			
- general reserve		88,000	88,000
- gain on remeasurement of forward foreign exchange contracts		2,088	2,139
- unappropriated profit		140,747	280,886
Shareholders' equity		<u>1,209,895</u>	<u>1,321,511</u>
Liabilities			
Non-current liabilities			
Long term finances	10	155,759	186,718
Staff retirement benefits - gratuity		77,559	81,520
Long term deposit		1,300	868
Deferred taxation	11	4,129	9,204
		<u>238,747</u>	<u>278,310</u>
Current liabilities			
Trade and other payables	12	345,319	373,287
Unclaimed dividends		2,431	2,431
Accrued interest / mark-up		40,184	33,407
Short term finances	13	751,938	929,483
Current portion of non-current liabilities	10	57,872	51,803
Taxation	14	13,256	17,415
		<u>1,211,000</u>	<u>1,407,826</u>
Total liabilities		<u>1,449,747</u>	<u>1,686,136</u>
Contingencies and commitments	15		
Total equity and liabilities		<u>2,659,642</u>	<u>3,007,647</u>

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


Raza Kuli Khan Khattak
Chief Executive


Noor-un-Nabi (ACA, APA)
Chief Financial Officer


Sikandar Kuli Khan Khattak
Director


BABRI COTTON MILLS LIMITED

Condensed Interim Statement of Profit or Loss & Other Comprehensive Income (Un-audited)

For the Quarter and Six Months Period Ended December 31, 2019

Note	Quarter ended		Six months period ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
----- Rupees in thousand -----				
Sales - net	576,770	639,077	897,535	1,078,370
Cost of sales	584,470	641,662	929,371	1,047,864
Gross (loss) / profit	(7,700)	(2,585)	(31,836)	30,506
Distribution cost	3,901	4,052	6,862	7,687
Administrative expenses	27,293	19,876	45,746	36,064
Other expenses	0	170	0	170
Other income	(198)	(1,606)	(1,237)	(1,713)
	30,996	22,492	51,371	42,208
Loss from operations	(38,696)	(25,077)	(83,207)	(11,702)
Finance cost	40,742	27,083	82,770	45,545
	(79,438)	(52,160)	(165,977)	(57,247)
Share of (loss) / profit of an Associated Company	7 (1,007)	495	(1,007)	495
Loss before taxation	(80,445)	(51,665)	(166,984)	(56,752)
Taxation				
- current	14 7,628	(4,067)	13,256	1,424
- prior year	14.2 (11,089)	30	(11,089)	30
- deferred	21,520	(39,213)	(9,204)	(45,938)
	18,059	(43,250)	(7,037)	(44,484)
Loss after taxation	(98,504)	(8,415)	(159,947)	(12,268)
Other comprehensive income				
Surplus arisen upon revaluation of property, plant and equipment	9.1 40,877	0	40,877	0
Deferred taxation	9.1 (4,129)	0	(4,129)	0
	36,748	0	36,748	0
Total comprehensive loss for the period	(61,756)	(8,415)	(123,199)	(12,268)
----- Rupees -----				
Loss per share	(26.97)	(2.30)	(43.80)	(3.36)

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


Raza Kuli Khan Khattak
Chief Executive


Noor-un-Nabi (ACA, APA)
Chief Financial Officer


Sikandar Kuli Khan Khattak
Director

BABRI COTTON MILLS LIMITED

Condensed Interim Statement of Cash Flows (Un-audited) For the Six Months Period Ended December 31, 2019

	<u>Six months period ended</u>	
	<u>Dec. 31,</u>	<u>Dec. 31,</u>
	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)	
Cash flows from operating activities		
Loss for the period - before taxation and share of (loss) / profit on investments in an Associated Company	(165,977)	(57,247)
Adjustments for non-cash charges and other items:		
Depreciation	34,902	32,847
Amortisation of gain on forward foreign exchange contracts	(51)	(53)
Staff retirement benefits - gratuity (net)	(3,961)	(2,307)
Finance cost	82,770	45,545
(Loss) / profit before working capital changes	(52,317)	18,785
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	6,128	31
Stock-in-trade	344,221	(153,142)
Trade debts	(44,092)	54
Loans and advances	(5,394)	1,163
Prepayments	(2,419)	(4,545)
Other receivables	(2,991)	171
Sales tax refundable	79,971	(25,560)
Decrease in trade and other payables	(27,536)	(45,144)
	347,888	(226,972)
Cash generated from / (used in) operations	295,571	(208,187)
Taxes paid	(2,917)	(15,231)
Net cash generated from / (used in) operating activities	292,654	(223,418)
Cash flows from investing activities		
Fixed capital expenditure	(12,080)	(150,963)
Security deposits	0	76
Net cash used in investing activities	(12,080)	(150,887)
Cash flows from financing activities		
Long term finances - net	(24,890)	111,716
Short term finances - net	(177,545)	303,288
Finance cost paid	(75,993)	(34,105)
Net cash (used in) / generated from financing activities	(278,428)	380,899
Net increase in cash and cash equivalents	2,146	6,594
Cash and cash equivalents - at beginning of the period	2,952	8,143
Cash and cash equivalents - at end of the period	5,098	14,737

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


Raza Kuli Khan Khattak
Chief Executive


Noor-un-Nabi (ACA, APA)
Chief Financial Officer


Sikandar Kuli Khan Khattak
Director

BABRI COTTON MILLS LIMITED

Condensed Interim Statement of Changes in Equity (Un-audited) For the Six Months Period Ended December 31, 2019

Share capital	Capital Reserves		Revenue Reserves			Total
	Share premium reserve	Revaluation surplus on property, plant and equipment	General reserve	Gain on hedging instruments	Unappropriated profit	

----- Rupees in thousand -----

Balance as at June 30, 2019 (audited)	36,522	15,096	898,868	88,000	2,139	280,886	1,321,511
Total comprehensive loss for the period ended December 31, 2019	0	0	36,748	0	0	(159,947)	(123,199)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(51)	0	(51)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	(7,370)	0	0	7,370	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(804)	0	0	0	(804)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	12,438	12,438
Balance as at December 31, 2019 (un-audited)	36,522	15,096	927,442	88,000	2,088	140,747	1,209,895
Balance as at June 30, 2018 (audited)	36,522	15,096	915,635	88,000	2,245	302,936	1,360,434
Total comprehensive loss for the period ended December 31, 2018	0	0	0	0	0	(12,268)	(12,268)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(53)	0	(53)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	(7,361)	0	0	7,361	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(817)	0	0	0	(817)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	994	994
Balance as at December 31, 2018 (un-audited)	36,522	15,096	907,457	88,000	2,192	299,023	1,348,290

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


Raza Kuli Khan Khattak
Chief Executive


Noor-un-Nabi (ACA, APA)
Chief Financial Officer


Sikandar Kuli Khan Khattak
Director

**Notes to the Condensed Interim Financial Statements (Un-audited)
For the Six Months Period Ended December 31, 2019**

1. Legal status and operations

Babri Cotton Mills Limited (the Company) was incorporated in Pakistan on October 26, 1970 as a Public Company 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 yarn. The Company's registered office and Mills are located at Habibabad, Kohat.

2. Basis of preparation

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

- International Accounting Standard (IAS) 34, "Interim financial reporting", 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30,

3.1 Standards, amendments to published standards and interpretations that are effective in the current period

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed financial statements, except for the following:

- (a) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement are effective for periods beginning on or after January 01, 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 amendments do not have any material impact on the Company's financial statements.
- (b) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments do not have any material impact on the Company's financial statements.

(c) IFRIC 23, 'Uncertainty over income tax treatments' is effective for 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. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. 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 amendments do not have any material impact on the Company's financial statements.

4. These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017. The figures of the condensed interim statement of profit or loss & other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed by the statutory auditors of the Company as the auditors have reviewed the cumulative figures for the six months period ended December 31, 2019. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2019.

5. Accounting estimates, judgments and financial risk management

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the audited financial statements as at and for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended June 30,

6. Property, plant and equipment

	Note	Un-audited Dec. 31, 2019 (Rupees in thousand)	Audited June 30, 2019
Operating fixed assets	6.1	1,701,349	1,684,041
Capital work-in-progress - plant and machinery		31,373	30,626
		1,732,722	1,714,667

BABRI COTTON MILLS LIMITED

		Un-audited Dec. 31, 2019 (Rupees in thousand)
6.1 Operating fixed assets	Note	
Book value as at June 30, 2019		1,684,041
Revaluation increments / (deficit) incorporated during the period:		
- freehold land	6.2	26,640
- buildings on freehold land	6.2	5,665
- plant & machinery	6.2	(22,495)
- generators	6.2	31,067
		40,877
Additions during the period:		
- plant & machinery		4,360
- generators		6,959
- tools & equipment		14
		11,333
Depreciation charge for the period		(34,902)
Book value as at December 31, 2019		1,701,349

- 6.2** Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 9.1, has been determined as follows:

Particulars	Freehold land	Buildings on freehold land			Plant & machinery	Generators	Total
		Factory	Non - factory	Residential			
----- Rupees in thousand -----							
Cost / revaluation as at							
September 30, 2019	460,600	193,236	22,963	19,895	1,121,806	187,578	2,006,078
Accumulated depreciation to							
September 30, 2019	0	29,632	3,521	6,668	225,034	81,993	346,848
Book value before							
revaluation adjustments							
as at September 30, 2019	460,600	163,604	19,442	13,227	896,772	105,585	1,659,230
Revalued amounts	487,240	164,819	22,423	14,696	874,277	136,652	1,700,107
Revaluation surplus / (deficit)	26,640	1,215	2,981	1,469	(22,495)	31,067	40,877

7. Investments in an Associated Company Quoted	Un-audited Dec. 31, 2019	Audited June 30, 2019
Janana De Malucho Textile Mills Ltd. (JDM)	(Rupees in thousand)	
341,000 ordinary shares of Rs.10 each - costEquity held: 7.13%	4,030	4,030
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	64,064	60,461
Share of revaluation surplus on property, plant and equipment	162,711	163,515
(Loss) / profit for the period / year - net of taxation	(1,007)	610
Share of other comprehensive income - net of taxation	9,483	38
	239,281	228,654

- 7.1** Although the Company has less than 20% voting rights in JDM as December 31, 2019 and June 30, 2019, JDM has been treated as an Associated Company by virtue of common directorships.
- 7.2** Market value of the Company's investments in JDM as at December 31, 2019 was Rs.28.982 million (June 30, 2019: Rs.21.142 million).
- 7.3** The management intends to carry-out impairment testing of its investments in JDM as at June 30, 2020 as no significant variation in estimates has been observed during the current period since June 30, 2019.

8. Sales tax refundable

The Company, during the period, has received sales tax refunds aggregating Rs.44.954 million pertaining to the period from January, 2018 to April, 2019. The aforesaid amount has been credited in the Company's bank account on September 12, 2019.

9. Revaluation surplus on property, plant and equipment- net	Note	Un-audited Dec. 31, 2019 (Rupees in thousand)	Audited June 30, 2019
Revaluation surplus on the Company's property, plant & equipment	9.1	764,731	735,353
Share of revaluation surplus on property, plant and equipment of an Associated Company	7	162,711	163,515
		927,442	898,868
9.1 The Company, during the period, has again revalued its freehold land, buildings on freehold land, plant & machinery and generators. The revaluation exercise has been carried-out by independent Valuers - Hamid Mukhtar & Co. (Pvt) Ltd. Lahore. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.40.877 million has been credited to this account. The period-end balance has been			
Opening balance		849,068	869,803
Add: surplus arisen on revaluation carried-out during the period	6.2	40,877	0
Less: transferred to unappropriated profit on account of incremental depreciation for the period / year		(10,380)	(20,735)
		879,565	849,068
Less: deferred tax on:			
- opening balance of surplus		113,715	119,728
- surplus arisen on revaluation carried-out during the period		4,129	0
- incremental depreciation for the period / year		(3,010)	(6,013)
		114,834	113,715
		764,731	735,353

BABRI COTTON MILLS LIMITED

	Note	Un-audited Dec. 31, 2019 (Rupees in thousand)	Audited June 30, 2019
10. Long term finances - secured			
The Bank of Khyber			
- demand finance - I		131,666	151,416
- demand finance - II		33,410	38,550
Sindh Modaraba - diminishing musharaka		48,555	48,555
		213,631	238,521
Less: current portion grouped under current liabilities		57,872	51,803
		155,759	186,718
11. Deferred taxation - net			
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		138,033	148,311
- surplus on revaluation of property, plant & equipment		114,830	113,711
		252,863	262,022
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity		(22,492)	(23,641)
- provision for doubtful debts		(664)	(664)
- minimum tax recoverable against normal tax charge in future years		(87,417)	(87,417)
- unused tax losses		(138,161)	(141,096)
		(248,734)	(252,818)
		4,129	9,204
12. Trade and other payables			
Creditors		218,879	198,869
Due to an Associated Company		2,221	0
Bills payable		0	71,232
Advances from customers - contract liabilities		13,113	6,867
Accrued expenses		62,927	62,558
Interest free security deposits - repayable on demand		170	170
Due to Waqf-e-Kuli Khan		12,048	12,048
Income tax deducted at source		7,478	5,722
Sales tax payable		27,642	15,020
Others		841	801
		345,319	373,287

13. Short term finances - secured

National Bank of Pakistan	457,124	630,002
The Bank of Khyber	294,814	299,481
	751,938	929,483

14. Taxation - net

	Note	Un-audited Dec. 31, 2019 (Rupees in thousand)
Balance as at June 30, 2019		17,415
Add: provision made during the period:		
current [minimum tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance)]		13,256
prior year	14.2	(11,089)
		2,167
		19,582
Less: payments / adjustments made against completed assessments		6,326
		13,256

14.1 Income tax return of the Company for tax year 2019 (accounting period ended June 30, 2019) has been filed on December 31, 2019. Minimum income tax has been paid at Rs.27.773 million after adjustment of tax credit under section 65(B)(1) of the Ordinance at Rs.21.447 million, which has created refund of Rs.13.029 million.

14.2 This adjustment has arisen due to claiming of tax credit in the return for the tax year 2019 under section 65B of the Ordinance at the rate of 10% instead of 5% on plant and machinery additions.

14.3 The Company's writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance is still pending adjudication. An adverse judgment by the Court will create tax liability under section 113 of the Ordinance aggregating Rs.39.712 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.

14.4 There has been no significant change during the current period in the status of taxation matter as detailed in note 26.4 to the audited financial statements of the Company for the year ended June 30, 2019.

15. Contingencies and commitments

15.1 After enactment of the Gas Infrastructure Development Cess (GIDC) Act, 2015, it was challenged before the Peshawar High Court, Peshawar, which dismissed the said petition on May 31, 2017. The Company, thereafter, has filed a petition before the Supreme Court of Pakistan (SCP), which is pending adjudication. Sui Northern Gas Pipelines Ltd., along with gas bill for the month of December, 2019, has raised GIDC demands aggregating Rs.601.116 million, which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.601.116 million pertaining to prior years and the current period have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

15.2 Guarantee amounting Rs.75 million (30 June, 2019: Rs. 55.200 million) issued by National Bank of Pakistan on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. was outstanding as at December 31, 2019.

15.3 No commitments were outstanding as at December 31, 2019 ; (commitments against irrevocable letters of credit outstanding as at June 30, 2019 were for Rs.3.790 million).

15.4 Also refer contents of note 14.3.

16. Transactions with related parties

16.1 Significant transactions made during the period with related parties were as follows:

Name	Nature of transaction	Cumulative	
		Jul. - Dec., 2019	Jul. - Dec., 2018
Associated Companies		(Rupees in thousand)	
Janana De Malucho	Residential rent paid	1,064	925
Textile Mills Ltd.	Utilities / expenses:		
	- recovered	0	15
	- paid	77	46
	Salaries & benefits paid	1,612	1,373
	Sale of raw cotton	32,777	0
Rahman Cotton Mills Ltd.	Sale of raw cotton	40,101	0
Other related parties			
Key management personnel	Salaries and benefits	17,594	10,799

16.2 Period-end balances were as follows:

	Un-audited Dec. 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
Due from Rahman Cotton Mills Ltd.	4,047	0
Due to Janana De Malucho Textile Mills Ltd.	2,221	0

17. Corresponding figures

17.1 In order to comply with the requirements of IAS 34 "Interim financial reporting", the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding

17.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, the purposes of comparison; however, no significant re-classifications / re-statements have been made to these condensed interim financial statements.

18. Date of authorisation for issue

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on 24 February 2020.


Raza Kuli Khan Khattak
Chief Executive


Noor-un-Nabi (ACA, APA)
Chief Financial Officer


Sikandar Kuli Khan Khattak
Director

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