

HALF YEARLY ACCOUNTS DECEMBER, 2020

BIBOJEE GROUP



**BABRI COTTON MILLS
LIMITED**

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COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr. Muhammad Iftikhar Ali Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Mr. Gohar Ayub Mr. Shoaib Ahmad Khan Brig. (Retd.) Sajjad Azam Khan	Chief Executive Chairman
AUDIT COMMITTEE	Mr. Shoaib Ahmad Khan Mr. Ahmad Kuli Khan Khattak Brig. (Retd.) Sajjad Azam Khan	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Shoaib Ahmad Khan Mr. Ahmad Kuli Khan Khattak Brig. (Retd.) Sajjad Azam Khan	Chairman Member Member
COMPANY SECRETARY	Mr. Muhammad Shoaib, BA, LLB	
CHIEF FINANCIAL OFFICER	Mr. Nasir Mehmood, MBA (Fin)	
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	

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors (BOD), we present the un-audited reviewed financial statements of the Company for the 2nd quarter & half year ended 31st December 2020.

FINANCIAL HIGHLIGHTS

Key financial results of the Company for the review period and their comparison with the corresponding period of last year are tabulated below:

	Quarter Ended		Half Year Ended	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
	----- Rs. in Millions -----			
Sales-net	242.039	576.770	357.797	897.535
Gross loss	(39.796)	(7.700)	(108.557)	(31.836)
Loss from operations	(72.025)	(38.696)	(152.111)	(83.207)
Loss before taxation	(74.472)	(80.445)	(174.316)	(166.984)
Loss after taxation	(116.723)	(98.504)	(218.303)	(159.947)
	----- Rupees -----			
Loss per share	(31.96)	(26.97)	(59.78)	(43.80)

The turnover of the Company, for the half year ended 31 December, 2020 has decreased by Rs.539.738 million as compared to the previous period. Further, the Company, in the period under report, has incurred loss before tax amounting to Rs.174.316 million and loss after tax of Rs.218.303 million in comparison with loss before tax amounting to Rs.166.984 million and loss after tax amounting to Rs.159.947 million respectively, in the previous comparative period. The Company temporarily suspended its operations from March 25, 2020 due to Covid-19 pandemic. However, the Company was unable to start its operations again due to heavy losses and laid off its employees/workers in the month of July, 2020 and closed the mills. The Company with the approval of its shareholders, has given its factory buildings and plant & machinery on lease to Janana De Malucho Textile Mills Ltd. (JDM), in order to keep its plant & machinery in excellent working condition. This is a stop gap / interim arrangement till the completion of merger of both the entities.

We would also like to inform the members of the Company that the merger of the Company with JDM is in process. The Competition Commission of Pakistan has granted its approval for the merger of both the Companies. The BOD has called an extra ordinary general meeting (EOGM) of the Company on 13 March 2021, in order to get the approval of members on the decision of the BOD to merge / amalgamate both the Companies. After the approval from members a petition shall be filed with the High Court for its approval.

GENERAL MARKET CONDITION

The textile industry has shown phenomenal growth in the current six months. The textile exports increased by 7.79pc to \$7.442bn in Jul.-Dec. 2020 against \$6.904bn in the same period last year. The imports into the country during the period under review also increased by 5.72pc by growing from \$23.195bn last year to \$24.521bn during the first half of current fiscal year. The country's trade deficit increased by 6.44pc during July-December, as compared to the corresponding period of last year.

FUTURE OUTLOOK

There are few challenges that are likely to keep haunting the textile industry. These challenges include energy affordability cost, shortage of quality raw material, infrastructure hurdles, skill development constraints, foreign exchange volatility and above all, the inconsistent short term and long-term policies of the Govt. The current cotton crop of Pakistan has failed and quality of cotton is very poor which can only produce 20/s to 30/s count.

COMMENTS ON “EMPHASIS OF MATTER” PARAGRAPH IN THE AUDITOR’S REPORT

The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as OGRA as the Company, being a spinning unit and producing raw material for weaving sector has not passed on burden of GIDC to its customers and company has never made any provision of GIDC expense in its accounts, which is conclusive proof that GIDC effect has not been passed on to the consumer. The yarn market is not a regulated market i.e., textile units are price takers not the price makers, therefore, spinning sector could not add GIDC in their prices and certainly has not collected the same from its customers. The PHC in its order dated 16-09-2020, has referred the case to OGRA and has asked them to hear the pleas of Textile sector and give decision on this point of Law.

The Company, has also filed another petition in PHC and PHC has granted stay order against recovery of GIDC. The lawyers hired by KPTMA have said that we have a strong and reasonable case, so we are hopeful that decisions from PHC and OGRA will be in the favor of the Company and the spinning industry.

COMMENTS ON “MATERIAL UNCERTAINTY RELATING TO GOING CONCERN” PARAGRAPH IN THE AUDITOR’S REPORT

The financial statements have been prepared on going concern basis as fixed assets of the Company are operational and have been leased to JDM. The Company's fixed assets are generating present and future economic benefits for JDM. Further, the Company's liabilities will be assumed by JDM after completion of merger of both entities.

ACKNOWLEDGMENT

The Board places on record its appreciation for the support of its bankers who have constantly facilitated the Company in financially difficult times. The hard work and diligence of the Company's senior management and the production workers is also commendable. We look forward to same dedication and cooperation from them in the future as well.

On behalf of the Board of Directors


Ahmad Kuli Khan Khattak
Director


Muhammad Iffikhar Ali
Chief Executive Officer

Dated: February 28, 2021

بابری کاٹن ملز لمیٹڈ ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر 2020 چھ ماہ کی ختم ہونے والی مدت پر کمپنی کے ڈائریکٹرز کے ذریعہ نظر ثانی شدہ مالیاتی رپورٹ پیش کرتے ہیں۔
کارکردگی کا جائزہ۔

آپ کی کمپنی کی مالیاتی نتائج کے اہم جھلکیاں مندرجہ ذیل ہیں۔

----- سہ ماہی -----		----- چھ ماہی -----	
31 دسمبر 2020	31 دسمبر 2019	31 دسمبر 2020	31 دسمبر 2019
----- روپے ملین میں -----			
فروخت	242.039	576.770	357.797
عبوری نقصان	(39.796)	(7.700)	(108.557)
ایریٹن کے بعد نقصان	(72.025)	(38.696)	(152.111)
ٹیکس سے پہلے نقصان	(74.472)	(80.445)	(174.316)
ٹیکس کے بعد نقصان	(116.723)	(98.504)	(218.303)
----- روپے -----			
نقصان فی شیئر	(31.96)	(26.97)	(59.78)
	(43.80)		

31 دسمبر 2020 کو ختم ہونے والے نصف سال کے لئے کمپنی کا کاروبار گزشتہ ادوار کے مقابلے میں 539.738 ملین روپے کم ہوا ہے۔ مزید، کمپنی نے، رپورٹ کے تحت، ٹیکس سے پہلے 174.316 ملین روپے خسارہ اٹھایا ہے اور ٹیکس کے بعد 218.303 ملین روپے کا نقصان ہوا ہے اور اس کے مقابلے میں پچھلے تقابلی مدت میں بالترتیب 166.984 ملین روپے ٹیکس سے پہلے نقصان اور 159.947 ملین روپے ٹیکس کے بعد نقصان ہوا تھا۔ بائی مرض (کوویڈ 19) کی وجہ سے کمپنی نے 25 مارچ 2020 سے عارضی طور پر اپنی کارروائیوں کو معطل کیا ہوا تھا۔ تاہم ہماری نقصانات کے سبب کمپنی دوبارہ اپنی کاروباری سرگرمیاں شروع کرنے سے قاصر رہی اور اس نے جولائی، 2020 کے مہینے میں اپنے ملازمین کا رکٹوں کو برخاست کر دیا تھا اور مل کو بند کر دیا تھا۔ تاہم، کمپنی نے اپنے جھنص یا فٹنگان کی منظوری سے، پلانٹ اور مشینری کو عمدہ کام کی حالت میں رکھنے کے لئے، اپنی فیکٹری کی عمارت اور پلانٹ اور مشینری جتنا دی مالوچو ٹیکسٹائل ملز لمیٹڈ کو لیز پر دے دی ہے۔ یہ دونوں اداروں کے انضمام کی تکمیل تک اسٹاپ گیپ / عبوری انتظام ہے۔

ہم کمپنی کے ممبروں کو یہ بھی بتانا چاہیں گے کہ کمپنی کا جاننا ڈی مالوچو ٹیکسٹائل ملز لمیٹڈ (بے ڈی ایم) میں ضم کرنے کا عمل جاری ہے۔ مسابقتی کمیشن آف پاکستان نے دونوں کمپنیوں کے انضمام کے لئے منظوری دے دی ہے۔ بورڈ آف ڈائریکٹرز نے دونوں کمپنیوں کو ضم کرنے کے لئے، 13 مارچ 2021 کو کمپنی کا ایک اضافی عام جزل اجلاس (ای او ای ایم) طلب کیا ہے۔ ممبروں کی منظوری کے بعد دونوں کمپنیوں کو ضم کرنے کی منظوری کے لئے ایک درخواست بائی کورٹ میں دائر کی جائے گی۔

عمومی مارکیٹ کی حالت

ٹیکسٹائل انڈسٹری نے حالیہ چھ ماہ میں غیر معمولی نمو کی ہے۔ جولائی سے دسمبر 2020 میں ٹیکسٹائل کی برآمدات %7.79 اضافے سے 7.442 بلین ڈالر ہو گئیں۔ جبکہ گزشتہ سال کی اسی مدت میں ٹیکسٹائل کی برآمدات 6.904 بلین ڈالر تھیں۔ زمرغور مدت کے دوران ملک میں بھی گزشتہ مالی سال کی پہلی ششماہی کے دوران گزشتہ سال 23.195 بلین ڈالر سے بڑھ کر 24.521 بلین ڈالر ہوئی جو کہ %5.72 کا اضافہ ہے۔ گزشتہ سال کے اسی عرصے کے مقابلے میں جولائی تا دسمبر کے دوران ملک کے تجارتی خسارے میں 6.44 فیصد اضافہ ہوا تھا۔

مستقبل کا نقطہ نظر

کچھ چیلنجز ہیں جو ٹیکسٹائل انڈسٹری کی نمو میں رکاوٹ اور منفی طور پر اثر انداز ہونے کا امکان رکھتے ہیں۔ ان چیلنجوں میں توانائی کے قابل برداشت لاگت، معیاری خام مال کی کمی، انفراسٹرکچر کی رکاوٹیں، مہارت کی نشوونما میں رکاوٹیں، زرمبادلہ کے اتار چڑھاؤ اور سب سے بڑھ کر یہ کہ حکومت کی تحفظ و قلیل مدتی اور طویل مدتی پالیسیاں شامل ہیں۔ پاکستان کی موجودہ کاٹن کی فصل نہ صرف کم ہوئی ہے بلکہ نقص معیاری بھی ہے جو صرف 20s/20 سے 30s تک کے دھاگے بنانے میں استعمال ہو سکتی ہے۔

آڈیٹر کی رپورٹ میں دیئے گئے اعتراض کا جواب

جی آئی ڈی سی کے معاملے کو فی الحال ایٹا اور بائی کورٹ کے ساتھ ہی اوگرا میں بھی چیلنج کیا گیا ہے، بلوچ کمپنی، جو ایک سوتر بنانے والی یونٹ ہے اور سوتر کے شعبے کے لئے خام مال کی تیاری میں اپنے صارفین پر جی آئی ڈی سی کے بوجھ نہیں ڈالا ہے۔ کمپنی نے بھی اپنے کھاتوں میں جی آئی ڈی سی اخراجات کی کوئی رقم فراہم نہیں کی ہے جو اس بات کا حتمی ثبوت ہے کہ جی آئی ڈی سی کا اثر صارفین کو نہیں دیا گیا ہے۔ سوتر کی منڈی ایک ریگولیٹڈ مارکیٹ نہیں ہے، یعنی ٹیکسٹائل یونٹ قیمت لینے والے ہیں تاکہ کو بنانے والے ہیں، لہذا، سوتر کا شعبہ پانچ تینوں میں جی آئی ڈی سی کو شامل نہیں کر سکتا ہے اور یقینی طور پر اس نے اپنے صارفین سے جمع نہیں کیا ہے۔ پشاور بائی کورٹ نے 16/09/2020 کے اپنے حکم میں کیس کو اوگرا سے رجوع کیا ہے اور ان سے ٹیکسٹائل سیکٹر کی درخواستوں کی سماعت اور قانون کے اس نکتے پر فیصلہ دینے کو کہا ہے۔

کمپنی نے پشاور ہائی کورٹ میں ایک اور درخواست بھی دائر کی ہے اور پشاور ہائی کورٹ نے جی آئی ڈی سی کی وصولی کے خلاف حکم انتظامی منظور کر لیا ہے۔ کے پی ٹی ایم اے کی خدمات حاصل کرنے والے وکلاء نے کہا ہے کہ ہمارا ایک مضبوط اور معقول کیس ہے، لہذا ہمیں امید ہے کہ پشاور ہائی کورٹ اور اگرا کے فیصلے کمپنی اور سوتر کی صنعت کے حق میں ہوں گے۔

غیر یقینی صورتحال برآؤ پیر کی رپورٹ میں دیئے گئے اعتراض کا جواب

کمپنی کے حسابات یقینی صورتحال کی بنیاد پر تیار کئے گئے ہیں کیونکہ کمپنی کے اثاثے استعمال ہو رہے ہیں اور بے ڈی ایم کو لیز پر دیئے گئے ہیں۔ کمپنی کے طے شدہ اثاثے بے ڈی ایم کے لئے موجودہ اور مستقبل کے معاشی فوائد/آمدنی پیدا کر رہے ہیں۔ مزید یہ کہ، دونوں اداروں کے انضمام کی تکمیل کے بعد کمپنی کی ذمہ تمام قسم کے واجبات ہیں وہ بے ڈی ایم کے ذمہ ہو جائیں گے۔

اعتراف

بورڈ آف ڈائریکٹرز کمپنی کے بینکاروں کی قدر کرتا ہے جو کہ مسلسل کمپنی کی مالی مشکلات میں بروقت مدد کرتے ہیں۔ اسکے علاوہ کمپنی کی انتظامیہ اور کارکنوں کی محنت کو بے مثال مشکل حالات میں بہتر نتائج حاصل کرنے پر شاباش دیتا ہے۔ اور امید کرتا ہے کہ مستقبل میں تمام کارکنان اسی لگن اور محنت سے کام کرتے رہیں گے۔

تاریخ: 28 فروری 2021

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے



محمد افتخار علی
چیف ایگزیکٹو آفیسر



احمد 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, 2020 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 "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, 2019 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

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 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 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

We draw attention to note 14.1 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.345.261 million demanded by Sui Northern Gas Pipelines Ltd. Our review report is not modified in respect of this matter.

Uncertainty relating to Going Concern

We draw attention to note 1.2 to the interim financial statements, which describes the reason for preparation of these condensed interim financial statements on going concern basis despite the fact that accumulated loss aggregated Rs.300.454 million and the Company's current liabilities exceeded its current assets by Rs.785.247 million on the reporting date. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our review report is not modified in respect of this matter.

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: 28 February, 2021

Condensed Interim Statement of Financial Position as at December 31, 2020

		Dec. 31, 2020 Un-audited Rupees in thousand	June 30, 2020 Audited
Assets	Note		
Non-current assets			
Property, plant and equipment	5	1,390,036	1,681,485
Investments in an Associated Company	6	241,997	234,288
Long term loans		148	200
Security deposits		929	1,033
		<u>1,633,110</u>	<u>1,917,006</u>
Current assets			
Stores, spares and loose tools		21,412	23,951
Stock-in-trade		28,335	430,898
Trade debts		9,116	6,406
Loans and advances		41,739	12,849
Prepayments		174	2,751
Other receivables		5,887	5,887
Income tax refundable, advance tax and tax deducted at source		24,006	45,222
Cash and bank balances		26,225	4,389
Non-current assets held-for-sale	7	77,688	0
		<u>234,582</u>	<u>532,353</u>
Total assets		<u><u>1,867,692</u></u>	<u><u>2,449,359</u></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	8	831,815	911,638
Revenue reserves			
- general reserve		88,000	88,000
- gain on remeasurement of forward foreign exchange contracts		1,984	2,032
- accumulated loss		(300,454)	(64,468)
Shareholders' equity		<u>672,963</u>	<u>988,820</u>
Liabilities			
Non-current liabilities			
Long term finances	9	152,322	174,580
Staff retirement benefits - gratuity	10	13,370	73,431
Deferred taxation		9,208	9,208
		<u>174,900</u>	<u>257,219</u>
Current liabilities			
Trade and other payables	11	429,751	434,527
Advances received against sale of freehold land	7.1	212,400	0
Unclaimed dividends		2,431	2,431
Accrued interest / mark-up		12,395	46,848
Short term finances	12	314,505	669,673
Current portion of long term finances	9	42,865	26,607
Taxation	13	5,482	23,234
		<u>1,019,829</u>	<u>1,203,320</u>
Total liabilities		<u>1,194,729</u>	<u>1,460,539</u>
Contingencies and commitments	14		
Total equity and liabilities		<u><u>1,867,692</u></u>	<u><u>2,449,359</u></u>

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


Muhammad Iftikhar Ali
Chief Executive


Ahmad Kuli Khan Khatak
Director


Nasir Mehmood
Chief Financial Officer


**Condensed Interim Statement of Profit or Loss & Other
Comprehensive Income (Un-audited)
For the Quarter and Six Months Period Ended December 31, 2020**

	Note	Quarter ended		Six months period ended	
		Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
		----- Rupees in thousand -----			
Sales - net		242,039	576,770	357,797	897,535
Cost of sales		281,835	584,470	466,354	929,371
Gross loss		(39,796)	(7,700)	(108,557)	(31,836)
Distribution cost		1,908	3,901	2,280	6,862
Administrative expenses		5,971	27,293	16,960	45,746
Other expenses	15	27,464	0	27,464	0
Other income		(3,114)	(198)	(3,150)	(1,237)
		32,229	30,996	43,554	51,371
Loss from operations		(72,025)	(38,696)	(152,111)	(83,207)
Finance cost		13,510	40,742	33,268	82,770
		(85,535)	(79,438)	(185,379)	(165,977)
Share of profit / (loss) of an Associated Company	6	11,063	(1,007)	11,063	(1,007)
Loss before taxation		(74,472)	(80,445)	(174,316)	(166,984)
Taxation					
- current	13	3,746	7,628	5,482	13,256
- prior year	13.2	49	(11,089)	49	(11,089)
- deferred		38,456	21,520	38,456	(9,204)
		42,251	18,059	43,987	(7,037)
Loss after taxation		(116,723)	(98,504)	(218,303)	(159,947)
Other comprehensive income					
Deficit / surplus arisen upon revaluation of property, plant and equipment	8.1	(132,608)	40,877	(132,608)	40,877
Deferred taxation	8.1	38,456	(4,129)	38,456	(4,129)
		(94,152)	36,748	(94,152)	36,748
Total comprehensive loss for the period		(210,875)	(61,756)	(312,455)	(123,199)
----- Rupees -----					
Loss per share		(31.96)	(26.97)	(59.78)	(43.80)

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


Muhammad Iftikhar Ali
Chief Executive


Ahmad Kuli Khan Khatak
Director


Nasir Mehmood
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the Six Months Period Ended December 31, 2020

	Six months period ended	
	Dec. 31, 2020	Dec. 31, 2019
	(Rupees in thousand)	
Cash flows from operating activities		
Loss for the period - before taxation and share of profit / (loss) on investments in an Associated Company	(185,379)	(165,977)
Adjustments for non-cash charges and other items:		
Depreciation	30,112	34,902
Impairment loss on non-current assets held-for-sale	16,052	0
Amortisation of gain on forward foreign exchange contracts	(48)	(51)
Loss on sale of plant and machinery	11,412	0
Staff retirement benefits - gratuity (net)	(60,061)	(3,961)
Finance cost	33,268	82,770
Loss before working capital changes	(154,644)	(52,317)
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	2,539	6,128
Stock-in-trade	402,563	344,221
Trade debts	(2,710)	(44,092)
Loans and advances	(28,838)	(5,394)
Prepayments	2,577	(2,419)
Other receivables	0	(2,991)
Sales tax refundable	0	79,971
Increase / (decrease) in trade and other payables	(4,777)	(27,536)
	371,354	347,888
Cash generated from operations	216,710	295,571
Taxes paid	(2,067)	(2,917)
Net cash generated from operating activities	214,643	292,654
Cash flows from investing activities		
Fixed capital expenditure	(75)	(12,080)
Advances received against sale of freehold land	212,400	0
Proceeds from sale of plant & machinery	23,653	0
Security deposits	104	0
Net cash generated from / (used in) investing activities	236,082	(12,080)
Cash flows from financing activities		
Long term finances - net	(6,000)	(24,890)
Short term finances - net	(355,168)	(177,545)
Finance cost paid	(67,721)	(75,993)
Net cash used in financing activities	(428,889)	(278,428)
Net increase in cash and cash equivalents	21,836	2,146
Cash and cash equivalents - at beginning of the period	4,389	2,952
Cash and cash equivalents - at end of the period	26,225	5,098

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


Muhammad Iftikhar Ali
Chief Executive


Ahmad Kuli Khan Khatak
Director


Nasir Mehmood
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)
For the Six Months Period Ended December 31, 2020

Share capital	Capital Reserves		Revenue Reserves			Total
	Share premium reserve	Revaluation surplus on property, plant and equipment	General reserve	Gain on hedging instruments	(Accumulated loss) / unappropriated profit	

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

Balance as at June 30, 2020 (audited)	36,522	15,096	911,638	88,000	2,032	(64,468)	988,820
Total comprehensive loss for the period ended December 31, 2020	0	0	(94,152)	0	0	(218,303)	(312,455)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(48)	0	(48)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)							
- on account of incremental depreciation for the period	0	0	(5,076)	0	0	5,076	0
- upon sale of revalued assets	0	0	19,985	0	0	(19,985)	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(580)	0	0	0	(580)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	(2,774)	(2,774)
Balance as at December 31, 2020 (un-audited)	36,522	15,096	831,815	88,000	1,984	(300,454)	672,963
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

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


Muhammad Iftikhar Ali
 Chief Executive


Ahmad Kuli Khan Khatak
 Director


Nasir Mehmood
 Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Un-audited)
For the Six Months Period Ended December 31, 2020

1. Legal status and operations

- 1.1** 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.
- 1.2** These financial statements have been prepared on going concern basis as fixed assets of the Company are operational and have been leased to Janana De Malucho Textile Mills Ltd. (JDM - an Associated Company). The Company's fixed assets are generating present and future economic benefits for JDM. Further, the Company's liabilities will be assumed by JDM after completion of merger of both entities.
- 1.3** The members of the Company in the annual general meeting held on October 21, 2020 have passed the special resolution whereby the Company has leased its factory buildings and plant & machinery to Janana De Malucho Textile Mills Ltd. (JDM - an Associated Company). The salient terms of this lease agreement are as follows:
- a) The lease rentals are Rs.100,000/- per month. The amount of lease rent has been determined on the basis that JDM shall bring back and keep the machinery of the Company in working condition.
 - b) JDM shall not only maintain the machinery by oiling & cleaning and also use the machinery for manufacturing purposes so that unit shall remain in good working condition.
 - c) The term of lease has commenced from October 01, 2020 and shall continue till June 30, 2022.
 - d) Both the companies have the option to terminate the lease with one month prior notice.
 - e) The lease of assets is a stop gap / interim arrangement till the completion of merger of both the entities.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements of the Company 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 IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended June 30, 2020.
- 2.3** The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the audited financial statements of the Company for the year ended June 30, 2020, whereas the comparative 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 extracted from the un-audited condensed interim financial statements for the period ended December 31, 2019.

2.4 These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Ltd. vide section 237 of the Companies Act, 2017.

2.5 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity), which is determined on the present value of defined benefit obligations determined by an independent actuary and property, plant and equipment at revalued amounts assessed by an independent valuer.

2.6 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

3. Significant 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 audited annual financial statements of the Company as at and for the year ended June 30, 2020.

3.1 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards, which are mandatory for the Company's annual accounting period commenced on July 01, 2020. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements

b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards, that will be mandatory for the Company's annual accounting periods commencing on or after January 01, 2021. However, these will not have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

4. Accounting estimates, judgments and financial risk management

4.1 The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4.2 The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual audited financial statements of the Company as at and for the year ended June 30, 2020.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended June 30, 2020.

5. Property, plant and equipment

**Un-audited
Dec. 31,
2020**

**Note (Rupees in
thousand)**
1,681,485

Book value as at June 30, 2020

Movement during the period:

Revaluation (deficit) / increment arisen upon latest
revaluation incorporated:

-buildings on freehold land	5.1	(5,435)
- plant & machinery	5.1	(135,131)
- generators	5.1	7,958
		(132,608)

Addition in office equipment 75

Book value of plant & machinery sold (35,065)

Transfer to held for sale category:

- freehold land	(56,640)
- plant & machinery	(37,099)

93,739

Depreciation charge for the period 30,112

Book value as at December 31, 2020

1,390,036

5.1 Revaluation (deficit) / surplus on each class of assets, as a result of latest revaluation as detailed note 8.1, 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 June 30, 2020	487,240	193,236	22,963	19,896	1,132,063	189,416	2,044,814
Accumulated depreciation to June 30, 2020	0	34,598	1,381	5,751	269,473	61,747	372,950
Book value before revaluation adjustments as at June 30, 2020	487,240	158,638	21,582	14,145	862,590	127,669	1,671,864
Revalued amounts	487,240	155,161	19,365	14,404	727,459	135,627	1,539,256
Revaluation (deficit) / surplus	0	(3,477)	(2,217)	259	(135,131)	7,958	(132,608)

6. Investments in an Associated Company - Quoted

Janana De Malucho Textile Mills Ltd. (JDM)

341,000 ordinary shares of Rs.10 each - cost-Equity held: 7.13% 4,030

Post acquisition profit and other comprehensive income brought
forward including effect of items directly credited in equity 67,043

Share of revaluation surplus on property, plant and equipment 161,002

Profit for the period - net of taxation 11,063

Share of other comprehensive loss (1,141)

241,997

- 6.1** Although the Company has less than 20% voting rights in JDM as at December 31, 2020 and June 30, 2020, JDM has been treated as an Associated Company by virtue of common directorships.
- 6.2** Market value of the Company's investments in JDM as at December 31, 2020 was Rs.26.008 million (June 30, 2020: Rs.26.813 million).

7. Non-current assets held-for-sale	Note	Un-audited Dec. 31, 2020 (Rupees in thousand)
Freehold land to be transferred to Janana De Malucho Textile Mills Ltd.(JDM)	7.1	56,640
Plant & machinery to be transferred to Ideal Trading Company, Faisalabad	7.2	21,048
		77,688

- 7.1** The Company, during the period, has entered in to an agreement with JDM (an Associated Company); the Company is an exclusive owner of the area of land measuring 354 marlas and has agreed to sell the said land according to the terms of sale as under:
- a)** the price of land is Rs.600,000/- per marla and total consideration is Rs.212.400 million;
 - b)** the total amount has been paid in advance by JDM;
 - c)** JDM has taken possession of the area of land and the area is secured with barbed wire;
 - d)** JDM has purchased this land to construct quarters for its workers;
 - e)** transfer of land in the name of JDM shall be done after completion of all legal formalities; and
 - f)** the total expenses on the execution of agreement, transfer of land, attorney fees, etc. shall be borne by JDM.
- 7.2** The Company, during the period, has entered into an agreement with Ideal Trading Company for the sale of plant & machinery. The Company has received advances from the party, which have been grouped under trade and other payables.

8. Revaluation surplus on property, plant and equipment - net

	Note	Un-audited Dec. 31, 2020 (Rupees in thousand)	Audited June 30, 2020
Revaluation surplus on the Company's property, plant & equipment	8.1	670,813	750,056
Share of revaluation surplus on property, plant and equipment of an Associated Company	6	161,002	161,582
		831,815	911,638

- 8.1** The management of 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 net deficit arisen on latest revaluation aggregating Rs.132.608 million has been debited to this account. The period-end balance has been arrived at as follows:

		Un-audited Dec. 31, 2020 (Rupees in thousand)
	Note	
Opening balance		858,894
Add: net deficit arisen on revaluation carried-out during the period	5.1	(132,608)
Less: transferred to accumulated loss:		
- on account of incremental depreciation for the period		(7,150)
- upon sale of revalued assets		28,148
		<u>747,284</u>
Less: deferred tax on:		
- opening balance of surplus		108,838
- deficit arisen on revaluation carried-out during the period		(38,456)
- incremental depreciation for the period		(2,074)
- sale of revalued assets		8,163
		<u>76,471</u>
		<u>670,813</u>
9. Long term finances - secured	Note	Un-audited Dec. 31, 2020 (Rupees in thousand)
		Audited June 30, 2020
The Bank of Khyber		
- demand finance - I		121,792
- demand finance - II		24,840
Sindh Modaraba - diminishing musharaka		48,555
		<u>195,187</u>
Less: current portion grouped under current liabilities		201,187
		<u>42,865</u>
		<u>152,322</u>
10. Staff retirement benefits - gratuity		
The Company, during the period, has paid gratuity benefits aggregating Rs.60.061 million.		
11. Trade and other payables		
Creditors		253,625
Due to an Associated Company		253,180
Advances from customers - contract liabilities		0
Accrued expenses		4,851
Interest free security deposits - repayable on demand		40,114
Due to Waqf-e-Kuli Khan		20,001
Advances received against sale of plant & machinery	11.1	43,369
Income tax deducted at source		83,292
Sales tax payable		170
Others		12,048
		<u>12,048</u>
		<u>24,026</u>
		<u>11,096</u>
		<u>43,175</u>
		<u>2,128</u>
		<u>429,751</u>
11.1		<u>434,527</u>
The Company, during the period, has received advances aggregating Rs. 51.700 million from Ideal Trading Company, Faisalabad and sold it plant & machinery valuing Rs. 27.674 million.		

	Un-audited Dec. 31, 2020 (Rupees in thousand)	Audited June 30, 2020 (Rupees in thousand)
12. Short term finances - secured		
National Bank of Pakistan	56,009	411,177
The Bank of Khyber	258,496	258,496
	314,505	669,673
13. Taxation - net		Un-audited Dec. 31, 2020 (Rupees in thousand)
Balance as at June 30, 2020		23,234
Add: provision made during the period:		
current		5,482
prior year		49
		5,531
		28,765
Less: payments / adjustments made against completed assessments		23,283
		5,482
13.1 Income tax return of the Company for tax year 2020 (accounting period ended June 30, 2020) has been filed during the period.		
13.2 The Company had filed a writ petition before the Peshawar High Court (PHC) under article 199 of the constitution of Pakistan praying that amendments introduced in section 65B of the Ordinance, by inserting a proviso through Finance Act, 2019 whereby tax credit of 10% was reduced to 5% for the tax year 2019, be declared illegal, unlawful and void ab initio; further the said amendments could not be applied retrospectively. The PHC vide its order dated December 31, 2019 had ordered that the Company be allowed to submit its return manually or by making adjustment in e-portal / computer system as provisional interim arrangement, as per un-amended provisions of section 65B of the Ordinance (prior to amendment through the Finance Act, 2019). This reversal represented short tax credit adjusted against tax provision for the year ended June 30, 2019, which was incorporated in preceding year's financial statements.		
13.3 The minimum tax demand under section 113 of the Ordinance relevant to tax years 2010, 2011 and 2012 has been deleted in the amended Finance Act, 2015 as per sub-clause (xx) of clause (11A) in part IV of the second schedule to the Ordinance. The writ petition filed before the Islamabad High Court, therefore, would have no effect on the demand. The Company, therefore, has withdrawn the writ petition on the point of clause added in the Ordinance as clause (xx) of clause (11A) in part IV of the second schedule to the Ordinance. The Company would not be liable for payment of any tax amount for the tax years 2010, 2011 and 2012.		
13.4 There has been no significant change during the current period in the status of taxation matter as detailed in note 26.5 to the audited financial statements of the Company for the year ended June 30, 2020.		

14. Contingencies and commitments

- 14.1** Gas Infrastructure Development Cess (GIDC) was initially imposed as a levy on gas consumers during the year 2011 vide the GIDC Act, 2011. The said Act was challenged before the Peshawar High Court (PHC), which declared the levy of GIDC unconstitutional. The Government had challenged the PHC's judgment before the Supreme Court of Pakistan (SCP). The SCP had upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said judgement, GIDC Ordinance, 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15, 2011. While the Ordinance was still in the field, the Government sought review of the SCP's judgment, which was also dismissed by the SCP.

During May, 2015, the Government had passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company had filed the writ petition before the PHC and challenged the validity of the GIDC Act, 2015. The PHC had dismissed the writ petition of the Company vide its judgment dated May 31, 2017 and declared the GIDC Act, 2015 to be intra vires of the Constitution. The Company has preferred an appeal before the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 has declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas, which on account of their industrial or commercial dealings had passed on the GIDC burden to their end customers/clients.

Subsequently, the Company has filed a review petition against the said judgement of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw materials for weaving sector, has not passed on the GIDC burden to its customers. The SCP has dismissed the aforementioned review petition vide its judgment dated November 02, 2020; however, the SCP, in its said judgment, has mentioned that the companies claiming any relief under GIDC Act, 2015 may approach the right forum.

After the SCP's judgment dated August 13, 2020, the Company has received GIDC instalment bills from Sui Northern Gas Pipelines Ltd.(SNGPL). The said GIDC bills have been challenged before the PHC wherein PHC granted stay order and restrained SNGPL from taking any coercive action against the Company and other petitioners. The matter is still pending before the court of law for judgment. The lawyers representing the Company in the subject case are very hopeful for favourable judgment.

SNGPL, along with gas bill for the month of August, 2020, has raised GIDC demands aggregating Rs.345.261 million against which provisions have not been recognised in the books of account.

Earlier, during the year 2018, the Company had filed writ petition before the PHC with the plea that the Company did not pass on the GIDC to its end customers and sought relief under Section 8 (2) of the GIDC Act, 2015. The PHC had granted interim relief and refrained SNGPL from recovering the GIDC from the Company. After the SCP's judgment dated August 13, 2020, the PHC had referred the case to OGRA being the relevant authority for determining the fact whether the Company and other petitioners had passed the GIDC burden to their end customers or not. The matter is pending with OGRA for decision.

- 14.2** Guarantee amounting Rs.75 million (June 30, 2020: Rs.75 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, 2020.
- 14.3** No commitments were outstanding as at December 31, 2020 and June 30, 2020.

15. Other expenses

	Cumulative	
	Jul. - Dec., 2020	Jul. - Dec., 2019
	(Rupees in thousand)	
Loss on sale of plant & machinery	11,412	0
Impairment loss on transfer of plant & machinery to held-for-sale category	16,052	0
	27,464	0

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., 2020	Jul. - Dec., 2019
Associated Companies		(Rupees in thousand)	
Janana De Malucho	Residential rent paid	532	1,064
Textile Mills Ltd.	Utilities / expenses:		
	- recovered	48,364	0
	- paid	477	77
	Salaries & benefits		
	- recovered	582	0
	- paid	2,281	1,612
	Sale of raw cotton	51,894	32,777
	Sale of stores and spares	8,998	0
	Purchase of stores and spares	2,753	0
	Lease rentals received	300	0
	Advances received against sale of freehold land	212,400	0
Rahman Cotton Mills Ltd.	Sale of raw cotton	0	40,101

Other related parties

Key management personnel	Salaries and benefits	0	17,594
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16.2 Period-end balances (grouped under loans and advances) were as follows:

	Un-audited Dec. 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	

Due from Rahman Cotton Mills Ltd.	4,047	4,047
Due from / (to) Janana De Malucho Textile Mills Ltd.	29,920	(4,851)

17. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for 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 February 28, 2021.


Muhammad Iftikhar Ali
Chief Executive


Ahmad Kuli Khan Khatak
Director


Nasir Mehmood
Chief Financial Officer

