

# Quarterly Accounts September 2018



**BABRI COTTON MILLS  
LIMITED**

## BABRI COTTON MILLS LIMITED COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr.Raza Kuli Khan Khattak Chief Executive Mr.Ahmed Kuli Khan Khattak Mr.Gohar Ayub Khan Mrs.Shahnaz Sajjad Ahmad -Chairperson Dr. Shaheen Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak Major(Retd.) Muhammad Zia Mr.Saad Waheed Dr.Hamid Zeb Khan	
AUDIT COMMITTEE	Mr.Saad Waheed Mr.Ahmed KuliKhan Khattak Mr.Gohar Ayub Khan	Chairman Member Member
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr.Saad Waheed Mr.Raza Kuli Khan Khattak Mr.Ahmed Kuli Khan Khattak	Chairman Member Member
COMPANY SECRETARY	Mr.Noor-un-Nabi ACA, APA	
CHIEF FINANCIAL OFFICER	Mr.Noor-un-Nabi ACA, APA	
INTERNAL AUDITOR	Mr.Nasir Ali Khan ACCA, APA	
AUDITORS	M/sShineWing 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 Habibabad, Kohat Tel: (0922) 862285- 862284 Fax: (0922) 862283 Website www.bcm.com.pk E-mail: info@bcm.com.pk	
REGISTERED OFFICE & MILLS		

# BABRI COTTON MILLS LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the board of directors of Babri Cotton Mills Limited, I am pleased to present the unaudited condensed interim financial information of the Company for the first quarter ended 30<sup>th</sup> September, 2018. Figures for the previous quarter ended 30<sup>th</sup> September, 2017 are included for comparison.

### Financial Results

Financial performance for the current quarter as compared to the previous period is given as under:

	<u>Quarter ended 30<sup>th</sup> September,</u>	
	2018	2017
	(Rupees in thousands)	
<b>Sales</b>	<b>439,293</b>	412,611
<b>Gross Profit / (Loss)</b>	<b>33,091</b>	(32,310)
<b>Operating Profit / (Loss)</b>	<b>13,375</b>	(49,163)
<b>Finance Cost</b>	<b>(18,462)</b>	(9,125)
<b>(Loss) before Taxation</b>	<b>(5,087)</b>	(58,288)
<b>(Loss) after Taxation</b>	<b>(3,853)</b>	(59,279)
	-----Rupees-----	

### Loss per Share

Basic and diluted Loss per share – Rs.

	<b>(1.06)</b>	(16.23)
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### Financial perspective

Turnover of the company has risen by Rs.26.682 million (6.47%). Gross margins have substantially improved by Rs.65.401 million (14.89% of sales) during current quarter. During the previous quarter ended 30<sup>th</sup> September, 2017, the company had incurred Gross **LOSS** of Rs.32.310 million (7.85% of sales) whereas during the current quarter ended 30<sup>th</sup> September, 2018, the company has earned Gross **PROFIT** of Rs.33.091 million (7.53% of sales). It may be stated as favorable turnaround of the company by 200% in terms of gross margins. The company also achieved the mark of operational profits (before taxation) with positive variance of Rs.62.538 million.

Loss before taxation has almost been recovered during the current period, and Loss after taxation has been decreased by 94% to Rs.3.853 million in current quarter, as compared to Rs.59.279 million in the corresponding period. The results show continuous improvement trend.

### Industry Overview

Our textile industry is still facing significant economic and governance issues & challenges in achieving desired GDP growth and export targets. These challenges to country's economy were accentuated due to resurgences of both fiscal and current account deficits, augmented by high uncertainties in policies of new political setup. Although Pak rupee devaluation of approx 10%, during recent weeks, benefitted textile exporters but this measure was outweighed by a rise in the input costs, which are major constituents of finished products. Subsidy on gas fuels being used for power generation by export-oriented sectors has been announced by the government but customs regulatory duties on imported raw materials are still in place, making imported raw materials cost expensive by 5%. Due to decline in yarn and value-added exports, there is an abundant supply of locally manufactured yarn and grey cloth in local markets, which is also augmented by Indian low-cost yarn imports by large textile

# BABRI COTTON MILLS LIMITED

exporters, which leads to stagnancy in yarn prices of exclusive spinning industry of fine counts yarn manufacturing.

Currently the survival for textile companies lie in financial strength to manage the operational cash flows to meet the operating working capital cycle, either through equity arrangements or assistance from financial institutions. At the same time, technological advancements, upgradation and BMR plans have also become inevitable in current scenario to hold the market share in terms of quality parameters.

### Subsequent Events

No material financial event took place subsequently to close of this financial year 2017-2018, having any adverse impact over financial position.

### Status of Financial Facilities

The company has fulfilled all its financial commitments during the period under review and subsequently as well.

### Future Prospects

We wish to remain optimistic about anticipated business-friendly policies of the newly elected setup, but keeping in view the high volatility in following input costs parameters, we expect the substantial increase in cost of doing business:

- WAPDA cost per unit escalation;
- Minimum wage increase;

Low cotton crop production at domestic level, as compared to the targets, has pushed trading prices towards higher end. Further, bail-out package with IMF, if materializes, will also increase the financial costs over debts being availed by the company.

All these potential impacts will be monitored by us closely and we shall try to hedge possible uncertainties by acquiring an efficient raw material blend costs, along with best possible efficiencies of our workforce and machinery setup. Though the prevailing environments are not very much favorable but even then the management is putting its best efforts for substantial reduction in our input costs, thereby improving the gross margins and contributing towards positive bottom line results. The management is still hopeful that through cost-reduction plans in both production and service departments, we will be able to sail through this crucial period and improve our financial position in upcoming months.

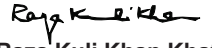
We have almost implemented our CAPEX/ BMR plan of Rs.200 Million to upgrade our machinery setup, which will lead to better quality and enhancement of existing yarn production levels.

### Acknowledgement

The board is pleased to appreciate its workers, staff and strategic management for their efforts in achieving the targeted results. We are also thankful to our valued bankers, customer and other stakeholders for their continued support extended to us.

For and on behalf of the Board of Directors

  
**Sikandar Kuli Khan Khattak**  
Director

  
**Raza Kuli Khan Khattak**  
Chief Executive Officer

Kohat

Dated: 27 October, 2018

کی در آمد میں اضافے سے یارن کی قیمتوں میں عدم استحکام پیدا ہو جاتا ہے، خاص طور فائن کاؤٹس دھاگے کی پیداواری صنعت کے لئے۔

فی الحال ٹیکسٹائل کمپنیوں کو اپنی بقاء کے لئے equity سے مالیاتی اداروں کی معاونت سے اپنے Operation Cash Flow کو پیچ کرنا ہوگا تا کہ ایک بہتر operating working capital cycle حصول ممکن ہو سکے۔ موجودہ حالات کے تناظر میں کوالٹی پیرامیٹر کے مطابق بیک وقت تکنیکی جدت، اپ گریڈیشن، اور BMR جیسے منصوبوں سے مارکیٹ شیئر کو قائم رکھنا انتہائی ضروری ہے۔

### آئندہ کی صورتحال:

اس مالی سال کے آئندہ سال یعنی 2017-2018 کے مالیاتی صورتحال پر کوئی منفی اثر نہیں پڑا۔

### مالی سہولیات کے امکانات:

اس کمپنی نے موجودہ اور آئندہ آنے والے جائزہ رپورٹ میں اپنے تمام مالی وعدوں کو پورا کیا۔

### مستقبل کا نقطہ نظر:

ہم نے منتخب کردہ سیٹ اپ کے کاروبار سے متعلق متوقع پالیسیوں کے بارے میں خاصے پرامید ہیں۔ لیکن parameters یعنی متعین مقدار کی مندرجہ ذیل ان پٹ لاگتوں میں عدا استحکام کو دیکھتے ہوئے ہم کاروبار کرنے کی لاگتوں میں اضافے کی امید کرتے ہیں۔

◀ واپڈا کی قیمت میں فی یونٹ اضافہ:

◀ کم از کم اجرت میں اضافہ:

مقامی طور پر اہداف کے برعکس کیپاس کی فصل کی پروڈکشن میں کمی کی وجہ سے تجارتی قیمتوں میں اضافے کا امکان نظر آ رہا ہے۔ مزید یہ کہ اگر حکومت کی جانب سے IMF کے تیل آؤٹ چیک کو حاصل کیا گیا۔ تو اس سے کمپنی کے حاصل شدہ قرضوں سرمایہ اخراجات میں بھی اضافہ ہوگا۔

یہ تمام ممکنہ متاثر کن حالات ہمارے مشاہدے میں ہیں۔ ہم ان تمام ممکنہ غیر یقینی صورتحال سے نمٹنے کے لئے اپنے خام مال کی موثر blending اخراج، اپنے کارکن اور مشینری سیٹ اپ کی ممکنہ موثر کارکردگی سے اسے بہتر بنانے کی کوشش کر رہے ہیں۔ اگرچہ موجودہ حالات موافق نہیں ہیں لیکن پھر بھی ہماری انتظامیہ Input لاگتوں میں کمی کرتے ہوئے مطلوبہ نتائج حاصل کرنے کے لئے بھرپور کوشش اور سعی کر رہی ہے۔ ہماری انتظامیہ کو تو یہ امید ہے کہ دونوں پروڈکشن اور سروس ڈیپارٹمنٹ کی لاگتوں میں کمی کے منصوبہ بندی کے ذریعے سے ہم اس مشکل دور سے نکل کر آنے والے مہینوں میں بہتر مالی پوزیشن میں ہونگے۔

ہم نے اپنی مشینری کو اپ گریڈ کرتے ہوئے CAPEX/BMR جسکی مالیت 200 ملین روپے ہے کی منصوبہ بندی کا عمل شروع کیا ہے۔ جس سے دھاگے کی موجودہ پیداوار و مرس کے معیار میں خاطر خواہ اضافہ ہوگا

### اعتراف:

بورڈ ہمارے صارفین، سپلائرز، بینکوں اور دیگر حصول کے ذریعہ ہمارے ساتھ مسلسل حمایت کے لئے اس کی تعریف کرتے ہیں۔ ممکنہ آپریٹنگ اور

مالیاتی نتائج حاصل کرنے میں ہماری انتظامیہ کی طرف سے فراہم کردہ قیمتی خدمات کو قدر کی نگاہ سے دیکھتے ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

S. K. K. Khattak  
رضاشاہی خان خٹک  
چیف ایگزیکٹو آفیسر

Raza K. K. Khattak  
سکندر علی خان خٹک  
ڈائریکٹر

## بابری کاٹن ملز لمیٹیڈ حبیب آباد کوہاٹ

ڈائریکٹرز کی جائزہ رپورٹ

بابری کاٹن ملز کے بورڈ آف ڈائریکٹرز کی جانب سے میں پہلی سہ ماہی سال 30 ستمبر 2018 کمپنی آڈیٹرز سے غیر نظر ثانی شدہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔ 30 ستمبر 2017 کو ختم ہونے والے گزشتہ سہ ماہی کے اعداد و شمار موازنہ کے طور پر شامل کیے گئے ہیں۔

### مالیاتی نتائج:

گزشتہ سہ ماہی کے مقابلے میں موجودہ سہ ماہی کی مالیاتی کارکردگی پیش خدمت ہے۔

30 ستمبر، 2018	30 ستمبر، 2017	
----- روپے ہزاروں میں -----		
<b>439,293</b>	412,611	خالص فروخت
<b>33,091</b>	(32,310)	مجموعی منافع/(خسارہ)
<b>13,375</b>	(49,163)	کاروبار سے منافع/(خسارہ)
<b>(18,462)</b>	(9,125)	مالیاتی لاگت
<b>(5,087)</b>	(58,288)	نگیس سے پہلے (خسارہ)
<b>(3,853)</b>	(59,279)	نگیس کے بعد (خسارہ)
<b>(1.06)</b>	(16.23)	آمدن/(خسارہ) فی شیئر

### مالیاتی نقطہ نظر:

کمپنی نے اپنے کاروبار میں 26.682 ملین روپے یعنی (6.47) فیصد اضافہ کیا۔ موجودہ سہ ماہی کے دوران 14.89 فیصد فروخت کے کمپنی کے مجموعی منافع میں 65.401 ملین روپے اضافہ ہوا ہے۔ گزشتہ سہ ماہی یعنی 30 ستمبر 2017 کے اختتام پر 7.85 فیصد فروخت کے کمپنی کو 32.310 ملین روپے کے مجموعی خسارہ کا سامنا کرنا پڑا۔ جبکہ موجودہ سہ ماہی یعنی 30 ستمبر 2018 کے اختتام پر 7.53 فیصد فروخت کے کمپنی نے 33.091 ملین روپے مجموعی منافع حاصل کیا۔ کمپنی کی اس 200 فیصد تبدیلی کو مجموعی منافع کے حوالے سے انتہائی مفید اور سازگار کہا جاسکتا ہے۔ کمپنی نے (نگیس وصولی سے قبل) آپریشنل منافع کی بدولت 62.538 ملین روپے کے ایک مثبت فرق سے بہت بڑا نام کمایا ہے۔

موجودہ مدت کے دوران نگیس وصولی سے قبل اور زیادہ سے زیادہ خسارے کا ازالہ کیا گیا اور اسی طرح متعلقہ مدت کے 59.279 ملین روپے کے مقابلے میں موجودہ سہ ماہی کے دوران نگیس وصولی کے بعد جو خسارہ ہے اس میں 3.853 ملین روپے یعنی 94 فیصد کی لاگتی کمی ہے۔ نتائج سے مسلسل بہتری کا رجحان نمایاں ہے۔

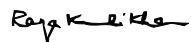
### صنعت کی صورتحال:

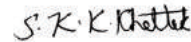
ملک کی صنعت اب بھی اقتصادی اور انتظامی مسائل سے دوچار ہے۔ اور موجودہ GDP GROWTH اور برآمدات کے اہداف کے حصول کے لئے اسے کئی چیلنجوں کا سامنا کرنا پڑ رہا ہے۔ ملکی معیشت کو درپیش ان چیلنجوں کے ساتھ ساتھ نئے سیاسی سیٹ اپ کے غیر دانشدہانہ حکمت عملیوں سے پیدا ہونے والی غیر یقینی صورتحال نے ایک بار پھر دونوں موجودہ کاؤنٹ خسارے اور مالیاتی خسارے کو واضح کر دیا ہے۔ اگرچہ حالیہ ہفتوں میں پاکستانی روپے کی قدر میں 10 فیصد کمی ٹیکسٹائل کی برآمدات کے لئے سودمند رہی لیکن اس سے مصنوعات کے بنانے کی لاگت بڑھ جاتی ہے، جو کہ تیار شدہ مصنوعات کو انڈیا کر دیتی ہے۔ حکومت کی جانب سے بجلی کی پیداوار کے لئے استعمال ہونے والے گیس کی ایندھن پر سبسڈی کا اعلان کیا گیا لیکن درآمد شدہ خام مال پر روایتی ریگولیٹری ڈیوٹی اب بھی قائم ہے۔ جس سے درآمد شدہ خام مال کی قیمت 5 فیصد بھگی ہو جاتی ہے۔ دھاگے اور value-added برآمدات میں کمی کی بنیادی وجہ مقامی طور پر تیار شدہ دھاگے اور کپڑے کی مارکیٹ میں کمیشنر دستاویزی ہے، جس سے انڈسٹریل ریزرو کی طرف سے ہندوستان سے کم لاگتی دھاگے

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT 30 SEPTEMBER, 2018**

	Un-audited 30 Sep, 2018	Audited 30 June, 2018
	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,639,373	1,584,212
Investments in an Associated Company	236,325	236,325
Long term loans	542	535
Security deposits	1,109	1,109
	<u>1,877,349</u>	<u>1,822,181</u>
<b>Current assets</b>		
Stores, spares and loose tools	57,938	39,566
Stock-in-trade	835,743	672,394
Trade debts	151	369
Loans and advances	7,540	8,671
Prepayments	7,674	1,837
Other receivables	3,503	4,710
Sales tax refundable	44,513	34,545
Income tax refundable, advance tax and tax deducted at source	52,806	45,298
Cash and bank balances	27,070	8,143
	<u>1,036,938</u>	<u>815,533</u>
<b>TOTAL ASSETS</b>	<u>2,914,287</u>	<u>2,637,714</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
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	911,801	915,635
Revenue reserves		
- general reserve	88,000	88,000
- gain on remeasurement of forward foreign exchange contracts	2,216	2,245
Unappropriated profit	311,234	311,253
<b>Shareholders' equity</b>	<u>1,364,869</u>	<u>1,368,751</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long Term finances	112,976	70,096
Staff retirement benefits - gratuity	76,811	78,326
Deferred taxation	76,413	83,010
	<u>266,200</u>	<u>231,432</u>
<b>Current liabilities</b>		
Trade and other payables	269,247	272,552
Unclaimed dividend	2,431	2,431
Accrued interest / mark-up	18,718	15,326
Short term finances	956,106	726,128
Current portion of non-current liabilities	13,775	3,644
Taxation	22,941	17,450
	<u>1,283,218</u>	<u>1,037,531</u>
<b>Total liabilities</b>	<u>1,549,418</u>	<u>1,268,963</u>
<b>Contingencies and commitments</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,914,287</u>	<u>2,637,714</u>

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

  
Raza Kuli Khan Khattak  
Chief Executive

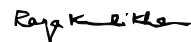
  
Sikandar Kuli Khan Khattak  
Director  
(6)

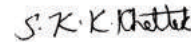
  
Noor-un-Nabi (ACA, APA)  
Chief Financial Officer

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	2018 (Rupees in thousand)	2017
<b>Sales</b>	439,293	412,611
<b>Cost of Sales</b>	406,202	444,921
<b>Gross Profit / (Loss)</b>	<u>33,091</u>	<u>(32,310)</u>
<b>Distribution Cost</b>	3,635	2,373
<b>Administrative Expenses</b>	16,188	13,119
<b>Other Expenses</b>	0	4,510
<b>Other Income</b>	(107)	(3,150)
	<u>19,716</u>	<u>16,852</u>
<b>Profit / (Loss) from Operations</b>	<u>13,375</u>	<u>(49,162)</u>
<b>Finance Cost</b>	18,462	9,124
<b>(Loss) before Taxation</b>	<u>(5,087)</u>	<u>(58,286)</u>
<b>Taxation</b>		
- Current	5,491	4,148
- Deferred	(6,725)	(3,157)
	<u>(1,234)</u>	<u>991</u>
<b>(Loss) after taxation</b>	<u>(3,853)</u>	<u>(59,277)</u>
<b>Other Comprehensive income</b>	-	-
<b>Total Comprehensive (Loss) for the period</b>	<u>(3,853)</u>	<u>(59,277)</u>
	----- Rupees -----	
<b>(Loss) per Share</b>	<u>(1.06)</u>	<u>(16.23)</u>

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

  
Raza Kuli Khan Khattak  
Chief Executive

  
Sikandar Kuli Khan Khattak  
Director  
(7)

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

# BABRI COTTON MILLS LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Sep-18	Jun-18
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Loss for the year - before taxation and share of (loss) / profit of an Associated Company	(5,087)	(157,840)
Adjustments for non-cash charges and other items:		
Depreciation	16,120	60,061
Loss on disposal of fixed assets	0	4,148
Deferred income credited	0	(2,100)
Amortization of gain on forward foreign exchange contracts	(28)	(110)
Income on bank deposits	(79)	0
Staff retirement benefits - gratuity (net)	(1,515)	(5,215)
Finance cost	18,462	43,893
<b>Profit / (Loss) before working capital changes</b>	<b>27,873</b>	<b>(57,163)</b>

### Effect on cash flow due to working capital changes

Decrease / (increase) in current assets:  
Stores, spares and loose tools  
Stock-in-trade  
Trade debts  
Loans and advances  
Pre-payments  
Other receivables  
Sales tax refundable  
(Decrease) / Increase in trade and other payables

(18,372)	(13,515)
(163,349)	(57,479)
218	(84)
1,131	(3,619)
(5,837)	(924)
1,207	206
(9,968)	(8,946)
(3,305)	101,322

(198,275) 16,961

### Cash generated / (used) in operations

Taxes paid  
Long term loans - net

(170,402)	(40,202)
(7,302)	(13,968)
(7)	68

### Net cash generated / (used) in operating activities

(177,711) (54,102)

### Cash flow from investing activities

Fixed capital expenditure - net  
Sale proceeds of operating fixed assets  
Security deposits  
Dividend received

(71,281)	(132,870)
0	7,059
0	(76)
0	0

### Net cash used in investing activities

(71,281) (125,887)

### Cash flow from financing activities

Long term finances - net  
Lease finances - net  
Short term finances - net  
Finance cost paid

53,011	73,740
0	(13,824)
229,978	165,098
(15,070)	(37,359)

### Net cash generated / (utilized) from financing activities

267,919 187,655

### Net Increase / (decrease) in cash and cash equivalents

18,927 7,666

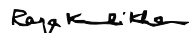
### Cash and cash equivalents - at beginning of the year


8,143 477

### Cash and cash equivalents - at end of the year

27,070 8,143

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

  
Raza Kuli Khan Khattak  
Chief Executive

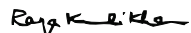
  
Sikandar Kuli Khan Khattak  
Director  
(8)


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

# BABRI COTTON MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Share capital	Reserves				Unappropriated profit	Total
		Share premium reserve	Revaluati on surplus on property.	General reserve	Gain on hedging instru- ments		
----- Rupees in thousand -----							
Balance as at June 30, 2017 - re-stated	36,522	15,096	932,265	88,000	2,355	441,252	1,515,490
Total comprehensive (Loss) for the quarter ended September 30, 2017:	0	0	0	0	0	(59,277)	(59,277)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	0	0	0
Surplus on revaluation of property, plant and equipment realised during (net of deferred taxation):	0	0	0	0	0	0	0
- on account of incremental depreciation for the quarter	0	0	0	0	0	0	0
Balance as at September 30, 2017	36,522	15,096	932,265	88,000	2,355	381,975	1,456,213
Total comprehensive loss for the nine months period ended June 30, 2018:							
-loss for the year						(79,659)	(79,659)
-other comprehensive income						(11,370)	(11,370)
						290,946	1,365,184
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(110)	0	(110)
Surplus on revaluation of property, plant and equipment (net of deferred taxation):	0	0	0	0			0
- on account of incremental depreciation for the nine months	0	0	(15,335)	0	0	15,335	0
- Upon sale of revalued plant and machinery	0	0	(3,906)			3,906	0
- Resultant adjustment due to reduction in tax rate	0	0	4,128				4,128
- Share of revaluation surplus on property, plant and equipment of an associated Company	0	0	(1,517)				(1,517)
-Effect of items directly credited in equity by an Associated Company	0	0		0	0	1,066	1,066
Balance as at June 30, 2018	36,522	15,096	915,635	88,000	2,245	311,253	1,368,751
Total comprehensive (Loss) for the quarter ended September 30, 2018	0	0		0	0	(3,853)	(3,853)
Amortisation of gain on forward foreign exchange contracts	0	0		0	(29)	0	(29)
Surplus on revaluation of property, plant and equipment realised during (net of deferred taxation):	-	-	-	-	-	0	0
- on account of incremental depreciation for the quarter	0	0	(3,834)	0	0	3,834	0
Balance as at September 30, 2018	36,522	15,096	911,801	88,000	2,216	311,234	1,364,866

  
Raza Kuli Khan Khattak  
Chief Executive

  
Sikandar Kuli Khan Khattak  
Director  
(9)

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

# BABRI COTTON MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

### FOR THE QUARTER ENDED SEPTEMBER 30, 2018

#### 1. Corporate information

Babri Cotton Mills Limited (the Company) was incorporated in Pakistan on 26 October, 1970 as a Public Company and its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn. The Company's mills and registered office are located at Habibabad, Kohat.

#### 2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 (the Ordinance). It has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended 30 June, 2018.

#### 3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended 30 June, 2018 except for gain on sale and leaseback transactions resulting in finance leases are deferred and amortised over the lease term on a straight-line basis, while losses are recognised immediately in the income statement.

#### 4. Accounting estimates, judgments and financial risk management

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended 30 June, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June, 2018.

#### 5. Contingencies and commitments

- 5.1 The Company, during the preceeding year, has challenged the levy of gas infrastructure development cess (GIDC) by filling the petition before the Peshawar High Court, Peshawar (PHC). The PHC has stayed the levy/ cess charged through GIDC Act, 2015 and the response were directed to submit their comments. Earlier, the Supreme Court of Pakistan had dismissed the appeal of Federation on the same matter on August 22, 2014, where in it was held that the levy under the GIDC Act, 2011 was not covered under any entry relating to the in position or levy of a tax as envisaged in the Constitution. Sui Northern Gas Pipe line Ltd; along with gas bill for the month of September, 2018, has raised GIDC demands aggregating Rs: 448.460 million, which are payable in case of an adverse judgment by the PHC. The petition before the PHC is pending adjudication.
- 5.2 Guarantee issued by National banks of Pakistan on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. outstanding as at 30 September, 2018 were for Rs: 55.200 million (June 30, 2018: Rs.55.200 million).
- 5.3 Commitments against irrevocable letter of credit - outstanding as at 30 September, 2018 were for:

	Un-audited 30 September, 2018 (Rupees in thousand)	Audited 30 June, 2018
-Raw material	102,814	71,518
-Spare Parts	52,107	117,626
	<u>154,921</u>	<u>189,144</u>

#### 6. Property, plant and equipment

Operating fixed assets	7.1	1,638,573	1,535,925
Capital work in progress - Plant & Machinery		0	48,287
Capital work in progress - Computers		800	0
		<u>1,639,373</u>	<u>1,584,212</u>

6.1 Operating fixed assets		
Book value as at 30 June, 2018	1,535,925	1,517,351
<b>Addition during the period:</b>		
<b>Owned</b>		
- Plant & Machinery	118,768	68,305
- Generators	0	9,594
- Residential Building	0	5,259
- Vehicles	0	6,684
- Computers	0	0
<b>Deletion during the period:</b>		
<b>Owned</b>		
- Plant & Machinery	0	(10,041)
- Furniture & Fixtures	0	(11)
- Vehicles	0	(1,155)
Depreciation charge for the period	(16,120)	(60,061)
Book value as at 30 September, 2018	<u>1,638,573</u>	<u>1,535,925</u>

#### 7. Transactions with related parties

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

			Quarter ended 30 September 2018	2017 Rupees in thousand
Name	Nature of Relationship	Nature of Transaction		
- Janana De Malucho Textile Mills Ltd.	Associated Company	Salaries & Others Expnses	389	0
		Rent Paid	463	0
		Utilities Expenses	15	0

- 7.2 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.

- 7.3 Trade and other payables include due from Associated Companies aggregating Rs.1,563 thousand (30 June, 2017: Rs. Nil thousand).

#### 8. Financial risk management

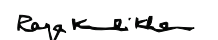
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's preceding annual financial statements for the year ended 30 June, 2018. There have been no changes in the risk management policies since the year-end.


#### 9. Date of authorisation for issue

This condensed interim financial information was authorised for issue on 27 October, 2018 by the Board of Directors of the Company.

#### 10. Corresponding figures

- To comply with the requirements of International Accounting Standard 34 (Interim Financial Reporting), the condensed interim balance sheet has been compared with the balances of preceding annual audited financial statements of the Company for the year ended 30 June, 2018, whereas, the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of the immediately preceding financial year, i.e. quarter ended 30 September, 2018.
- Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, no material re-arrangements / re-classifications have been made in this condensed interim financial information.

  
Raza Kuli Khan Khattak  
Chief Executive

  
Sikandar Kuli Khan Khattak  
Director

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

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