

# **Nine Month Accounts March, 2019**



**BABRI COTTON MILLS  
LIMITED**

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## **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 Kuli Khan 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/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	

## **DIRECTOR'S REVIEW TO THE SHAREHOLDERS**

### **Dear Shareholders,**

On behalf of the board of directors of Babri Cotton Mills Limited, I am pleased to present the financial information of the company for the third quarter and nine months period ended on March 31, 2019.

Operating results of the company are as under:

	<b>Quarter ended</b>		<b>Nine Months ended</b>	
	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
<b>.....Rupees in thousands.....</b>				
<b>Sales - Net</b>	<b>574,580</b>	448,109	<b>1,652,950</b>	1,444,533
<b>Gross Profit / (Loss)</b>	<b>49,469</b>	21,421	<b>79,975</b>	(28,230)
<b>Profit / (Loss) from operations</b>	<b>17,324</b>	2,069	<b>5,622</b>	(83,661)
<b>(Loss) before taxation</b>	<b>(17,575)</b>	(9,889)	<b>(74,327)</b>	(115,549)
<b>(Loss) after taxation</b>	<b>(20,306)</b>	(7,967)	<b>(32,574)</b>	(84,439)
<b>(Loss) per share – Rs.</b>	<b>(5.56)</b>	(2.18)	<b>(8.92)</b>	(23.12)

### **Review of Operations**

During nine months period under review, turnover of the company has increased by Rs 208.417 Million (14%) and the related cost of sales has increased only by Rs. 100.212 Million (7%), thereby achieving Gross **PROFIT** of Rs. 79.975 Million as compared to the Gross **LOSS** of Rs. 28.230 Million during corresponding period. There is a favorable turnaround of Rs. 108.205 Million in Gross Margins during the current nine month period, as compared to corresponding period. Alhamdulillah the company has also come into **PROFIT** from Operational activities to the tune of Rs. 5.622 Million as compared to the Operational **LOSS** of Rs. 83.661 Million during the corresponding period of nine months. The company's loss after taxation of Rs. 32.574 Million, during the current nine-month period, has substantially been reduced by **61%** from a loss of Rs. 84.439 Million as compared to previous period. The company achieved a gross profit of Rs. 49.469 Million (8.6% of sales) during third quarter ended March-19, as compared to gross profit of Rs. 21.421 Million (4.8% of sales) during previous quarter of corresponding period. 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.

### **Future Outlook**


Companies within textile industry are still facing great challenges like imposition of GIDC, negative impact of which is approx. Rs. 150 Million for our company only. It is pertinent to mention that increase of 2.5% in discount rate by State Bank of Pakistan, has also increased the cost of borrowings considerably, which is one of the major cost component for the industry and high leveraged companies. Furthermore, industry is facing severe liquidity crunch in the market due to blockage of sales tax refunds. The finance minister has, although, announced the issuance of tradable bonds against these refunds, but still there has been no advancement on it. The current government had announced some incentives for textiles, being the export-oriented segment, which included the abolishment of import duty, custom duty and income tax having cumulative impact of 6% over raw material imports being made from January-19 till June-19. Textile mills operating in fine counts range, like ours, will also face the sluggish trend in last quarter of the financial year due to seasonal volatility.

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 sustainability in financial results and operational viability, for the company during last quarter of the financial year.

### **Acknowledgement**

The board is pleased to appreciate its workers, staff and senior executives for their efforts being made, towards the improvement of company's financial and operational results. We are extremely grateful for the extraordinary support extended to us by the Bank of Khyber. We are thankful to National Bank of Pakistan, who has facilitated the financial sustainability of the company since 1973.

**For & on behalf of the board of directors,**



Raza Kuli Khan Khattak  
Chief Executive



Sikandar Kuli Khan Khattak  
Director

Kohat

Dated: April 25, 2019

## ڈائریکٹرز رپورٹ برائے حصص داران

محترم حصص یافتگان!

بابری کاٹن ملز کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2019 کے اختتام پر موجودہ سال کی تیسری سہ ماہی کے ساتھ نو ماہ کی مالیاتی رپورٹ پیش کرتے ہوئے میں انتہائی خوش محسوس کر رہا ہوں۔

کمپنی کے کاروباری نتائج مندرجہ ذیل ہیں۔

کمپنی کے کاروباری نتائج

تیسری سہ ماہی (31 مارچ)	سہ ماہی (31 مارچ)	2018	2019	خالص فروخت
2018	2019	2018	2019	
				(روپے ہزاروں میں)
1,444,533	1,652,950	448,109	574,580	مجموعی منافع (خسارہ)
(28,230)	79,975	21,421	49,469	آپریٹنگ سے (خسارہ)
(83,661)	5,622	2,069	17,324	ٹیکس سے پہلے (خسارہ)
(115,549)	(74,327)	(9,889)	(17,575)	ٹیکس کے بعد (خسارہ)
(84,439)	(32,574)	(7,967)	(20,306)	(خسارہ) فی شیئر
(23.12)	(8.92)	(2.18)	(5.56)	

کاروباری جائزہ:

کاروباری جائزہ کے تحت موجودہ مدت کے دوران کمپنی کی آمدن 208.417 ملین روپے سے یعنی (14%) فیصد بڑھ گئی ہے۔ جبکہ اسکی متعلقہ لاگت فروخت صرف 100.212 ملین روپے یعنی (0.17%) سے بڑھی ہے۔ اسی طرح سے 28.230 ملین روپے مجموعی خسارہ کے مقابلے میں رواں سال 79.975 ملین روپے مجموعی منافع حاصل کیا گیا ہے۔ موجودہ نو ماہ کی مدت کے دوران اسی مدت کے مقابلے میں مجموعی مارجن میں 108.205 ملین روپے کا فرق اور ہوا ہے۔ الحمد للہ نو ماہ کے متعلقہ عرصہ کے دوران کمپنی 83.661 ملین روپے خسارے سے 5.622 روپے کے منافع کی طرف آئی ہے۔ موجودہ نو ماہ کے مدت کے دوران 84.439 ملین روپے خسارے کے مقابلے میں رواں سال ٹیکس سے قبل کمپنی کے مجموعی خسارہ میں 32.574 ملین روپے یعنی 61% کمی آئی۔ کمپنی نے مارچ 2019 کے اختتام پر تیسری سہ ماہی کے دوران 49.469 ملین روپے یعنی فروخت کا 8.6% مجموعی منافع حاصل کیا، اسی مدت کے دوران گزشتہ سہ ماہی کے دوران 21.421 ملین روپے یعنی فروخت کا 4.8% مجموعی منافع کے مقابلے میں۔ یہاں اس بات کا تذکرہ کرنا ضروری ہے کہ موجودہ مدت کے دوران کمپنی ہر سطح پر اپنے اخراجات میں کمی کر رہی ہے اور آنے والے مہینوں میں نیچے کی حد توڑنے کے حصول کی طرف تیزی سے بڑھ رہی ہے۔

مستقبل کے نقطہ نظر:

ٹیکسٹائل انڈسٹری کے اندر کمپنیاں اب بھی GIDC کے عدم اطمینان کی طرح بڑے چیلنجز کا سامنا کرتی ہیں، جس کا منفی اثر ہماری کمپنی کے لئے صرف 150 ملین روپے ہے۔ یہ بتانے کے قابل ہے کہ اسٹیٹ بینک آف پاکستان کی جانب سے رعایت کی شرح میں 2.5% اضافے کی وجہ سے قرضے کی قیمتوں میں بھی اضافہ ہوا ہے، جس میں صنعت اور اعلیٰ درجے کی کمپنیوں کے لئے اہم لاگت کے اجزاء میں سے ایک ہے۔ اس کے علاوہ پلاننگ کی واپسی کی روک تھام کے باعث مارکیٹ میں سختی کی خرابی کا سامنا کرنا پڑتا ہے۔ مالیاتی وزیر نے ہٹا ہوا، ان واپسیوں کے خلاف تجارتی بانڈز جاری کرنے کا اعلان کیا لیکن ابھی تک اس پر کوئی پیش رفت نہیں ہوئی ہے۔ موجودہ حکومت نے ٹیکسٹائل صنعت کے لئے کئی مراعات دینے کا اظہار کیا ہے، برآمد پر مبنی کچھ حصہ جس میں بنیادی طور پر درآمدی ڈیوٹی، کسٹم ڈیوٹی اور آمدنی ٹیکس کو ختم کرنا شامل ہیں، جس کے برآمدی خام مال پر جنوری 2019 سے جون 2019 تک 6% مجموعی اثرات مرتب ہوں گے۔ موکی عدم استحکام کے سبب مالیاتی ملازمتوں کی طرح ٹھیک حساب کرنے والی مالیاتی سال کی آخری سہ ماہی میں بھی مندی کا رجحان ہوگا۔

ہماری انتظامیہ زیادہ سے زیادہ مالیاتی اور عملیاتی نتائج کے اہداف کے حصول کے لئے بروقت فیصلہ سازی کا بخوبی جائزہ لے رہی ہے اور مالی سال کی آخری سہ ماہی کے دوران کمپنی اور اس کے متعلقین کے بہتر مالیاتی نتائج اور ترقی کے لئے اپنی پوری کوشش جاری رکھے گی۔

اعتراف:

بورڈ موجودہ مشکل حالات میں بہتر مالیاتی اور آپریشنل نتائج حاصل کرنے پر اپنے ورکرز، سٹاف ممبران اور سینئر افسران کی کاوشوں کو قدر کی نگاہ سے دیکھتا ہے۔ اور اس موقع پر ہم خیر بینک کے تعاون اور مالی معاونت کرنے پر مشکور ہیں ہم نیشنل بینک آف پاکستان کے تعاون کے بھی انتہائی مشکور ہیں جو کہ 1973 سے مسلسل کمپنی کی پیداواری سرگرمیوں کو برقرار رکھنے کیلئے معاونت کر رہا ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

Raza Khan

رضا قلی خان خٹک

چیف ایگزیکٹو

S. K. Khatkhata

سکندر قلی خان خٹک

ڈائریکٹر

کوباٹ

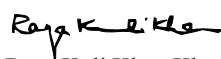
تاریخ: 25 اپریل 2019

# BABRI COTTON MILLS LIMITED

## Condensed Interim Statement of Financial Position as at March 31, 2019

		Mar. 31, 2019 Un-audited	June 30, 2018 Audited
	Note	Rupees in thousand	
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	6	1,687,599	1,584,212
Investments in an Associated Company	7	236,997	236,325
Long term loans		440	535
Security deposits		1,033	1,109
		<u>1,926,069</u>	<u>1,822,181</u>
<b>Current Assets</b>			
Stores, spares and loose tools		39,644	39,566
Stock-in-trade		788,306	672,394
Trade debts		198	369
Loans and advances		7,600	8,671
Prepayments		5,618	1,837
Other receivables		2,906	4,710
Sales tax refundable		59,743	34,545
Income tax refundable, advance tax and tax deducted at source		45,005	45,298
Cash and bank balances		3,336	8,143
		<u>952,356</u>	<u>815,533</u>
<b>Total Assets</b>		<u>2,878,425</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	8	903,777	915,635
Revenue reserves			
- general reserve		88,000	88,000
- gain on remeasurement of forward foreign exchange contracts		2,165	2,245
- unappropriated profit		290,714	311,253
<b>Shareholders' Equity</b>		<u>1,336,274</u>	<u>1,368,751</u>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Long term finances	9	142,384	70,096
Staff retirement benefits - gratuity		79,995	78,326
Deferred taxation		32,612	83,010
		<u>254,991</u>	<u>231,432</u>
<b>Current Liabilities</b>			
Trade and other payables	10	239,028	272,552
Unclaimed dividends		2,431	2,431
Accrued interest / mark-up		34,311	15,326
Short term finances	11	959,704	726,128
Current portion of non-current liabilities		43,072	3,644
Taxation	12	8,614	17,450
		<u>1,287,160</u>	<u>1,037,531</u>
<b>Total Liabilities</b>		<u>1,542,151</u>	<u>1,268,963</u>
<b>Contingencies and Commitments</b>	13		
<b>Total Equity and Liabilities</b>		<u>2,878,425</u>	<u>2,637,714</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

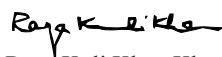
# BABRI COTTON MILLS LIMITED

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

For the Quarter and Nine Months Period Ended March 31, 2019

Note	For the 3rd Quarter		Cumulative	
	Jan. - Mar 2019	Jan. - Mar 2018	Jul. - Mar 2019	Jul. - Mar 2018
	----- Rupees in thousand -----			
<b>Sales - net</b>	<b>574,580</b>	448,109	<b>1,652,950</b>	1,444,533
<b>Cost of Sales</b>	<b>525,111</b>	426,688	<b>1,572,975</b>	1,472,763
<b>Gross Profit / (Loss)</b>	<b>49,469</b>	21,421	<b>79,975</b>	(28,230)
<b>Distribution Cost</b>	<b>4,477</b>	2,422	<b>12,164</b>	9,408
<b>Administrative Expenses</b>	<b>28,557</b>	17,554	<b>64,621</b>	46,566
<b>Other Expenses</b>	<b>0</b>	70	<b>170</b>	4,268
<b>Other Income</b>	<b>(889)</b>	(694)	<b>(2,602)</b>	(4,811)
	<b>32,145</b>	19,352	<b>74,353</b>	55,431
<b>Profit / (Loss) from Operations</b>	<b>17,324</b>	2,069	<b>5,622</b>	(83,661)
<b>Finance Cost</b>	<b>34,899</b>	11,958	<b>80,444</b>	29,653
	<b>(17,575)</b>	(9,889)	<b>(74,822)</b>	(113,314)
<b>Share of Profit / (Loss) of an Associated Company</b>	<b>0</b>	0	<b>495</b>	(2,235)
<b>Loss before Taxation</b>	<b>(17,575)</b>	(9,889)	<b>(74,327)</b>	(115,549)
<b>Taxation</b>				
- current	<b>7,191</b>	5,601	<b>8,615</b>	18,089
- prior year	<b>0</b>	0	<b>30</b>	0
- deferred	<b>(4,460)</b>	(7,523)	<b>(50,398)</b>	(49,199)
	<b>2,731</b>	(1,922)	<b>(41,753)</b>	(31,110)
<b>Loss after Taxation</b>	<b>(20,306)</b>	(7,967)	<b>(32,574)</b>	(84,439)
<b>Other Comprehensive Income</b>	<b>0</b>	0	<b>0</b>	0
<b>Total Comprehensive Loss for the Period</b>	<b>(20,306)</b>	(7,967)	<b>(32,574)</b>	(84,439)
	----- Rupees -----			
<b>Loss per Share</b>	<b>(5.56)</b>	(2.18)	<b>(8.92)</b>	(23.12)

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

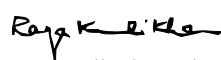
  
Sikandar Kuli Khan Khattak  
Director


**BABRI COTTON MILLS LIMITED**

**Condensed Interim Statement of Cash Flows (Un-audited)  
For the Nine Months Period Ended March 31, 2019**

	<b>Nine months period ended</b>	
	<b>Mar. 31, 2019</b>	<b>Mar. 31, 2018</b>
	<b>(Rupees in thousand)</b>	
<b>Cash flow from operating activities</b>		
Loss for the period - before taxation and share of profit / (loss) on investments in an Associated Company	<b>(74,822)</b>	(113,314)
Adjustments for non-cash charges and other items:		
Depreciation	<b>49,778</b>	44,662
Loss on sale of operating fixed assets	<b>0</b>	4,148
Deferred income credited	<b>0</b>	(2,099)
Amortisation of gain on forward foreign exchange contracts	<b>(80)</b>	(88)
Staff retirement benefits - gratuity (net)	<b>1,669</b>	(12,145)
Finance cost	<b>80,444</b>	29,653
<b>Profit / (loss) before working capital changes</b>	<b>56,989</b>	(49,183)
<b>Effect on cash flow due to working capital changes</b>		
<b>(Increase) / decrease in current assets:</b>		
Stores, spares and loose tools	<b>(78)</b>	(13,862)
Stock-in-trade	<b>(115,912)</b>	60,296
Trade debts	<b>171</b>	165
Loans and advances	<b>1,166</b>	(6,823)
Prepayments	<b>(3,781)</b>	(5,157)
Other receivables	<b>1,804</b>	772
Sales tax refundable	<b>(25,198)</b>	(10,307)
<b>(Decrease) / increase in trade and other payables</b>	<b>(33,524)</b>	(1,235)
	<b>(175,352)</b>	23,849
<b>Cash used in operations</b>	<b>(118,363)</b>	(25,334)
Taxes paid	<b>(17,188)</b>	(8,031)
<b>Net cash used in operating activities</b>	<b>(135,551)</b>	(33,365)
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	<b>(153,165)</b>	(50,403)
Sale proceeds of operating fixed assets	<b>0</b>	7,059
Security deposits	<b>76</b>	(76)
<b>Net cash used in investing activities</b>	<b>(153,089)</b>	(43,420)
<b>Cash flow from financing activities</b>		
Long term finances obtained	<b>111,716</b>	27,456
Lease finances repaid	<b>0</b>	(13,824)
Short term finances - net	<b>233,576</b>	96,136
Finance cost paid	<b>(61,459)</b>	(26,913)
<b>Net cash generated from financing activities</b>	<b>283,833</b>	82,855
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(4,807)</b>	6,070
<b>Cash and cash equivalents - at beginning of the period</b>	<b>8,143</b>	477
<b>Cash and cash equivalents - at end of the period</b>	<b>3,336</b>	6,547

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

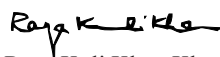
  
Sikandar Kuli Khan Khattak  
Director



**Condensed Interim Statement of Changes in Equity (Un-audited)  
For the Nine Months Period Ended March 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, 2018 (audited)	36,522	15,096	915,635	88,000	2,245	311,253	1,368,751
Total comprehensive loss for the period ended March 31, 2019	0	0	0	0	0	(32,574)	(32,574)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(80)	0	(80)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	(11,041)	0	0	11,041	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 March 31, 2019 (un-audited)	36,522	15,096	903,777	88,000	2,165	290,714	1,336,274
Balance as at June 30, 2017 (audited) - restated	36,522	15,096	932,265	88,000	2,355	441,252	1,515,490
Total comprehensive loss for the period ended March 31, 2018	0	0	0	0	0	(84,439)	(84,439)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(88)	0	(88)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation)							
- on account of incremental depreciation for the period	0	0	(7,364)	0	0	7,364	0
- upon sale of revalued assets	0	0	(3,906)	0	0	3,906	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(900)	0	0	0	(900)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	(229)	(229)
Balance as at March 31, 2018 (un-audited) - restated	36,522	15,096	920,095	88,000	2,267	367,854	1,429,834

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 Nine Months Period Ended March 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. Significant Accounting Policies**

The accounting policies and methods of computation adopted for 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, 2018, except for the adoption of IFRS 15 "Revenue from contracts with customers". The revised accounting policy adopted by the management is as follows:

**IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 has been notified by Securities and Exchange Commission of Pakistan to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18, "Revenue" and IAS 11, "Construction contracts" and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

- 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 March 31, 2019 and 2018 have not been reviewed by the statutory auditors of the Company. 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 financial statements for the year ended June 30, 2018.

## 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 financial statements as at and for the year ended June 30, 2018 except for the change as detailed in note 6.2.

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 June 30, 2018.

## 6. Property, Plant and Equipment

	<b>Note</b>	<b>Un-audited Mar. 31, 2019 (Rupees in thousand)</b>	<b>Audited June 30, 2018</b>
Operating fixed assets	<b>6.1</b>	<b>1,607,092</b>	1,535,925
Capital work-in-progress - plant and machinery		<b>80,507</b>	48,287
		<b><u>1,687,599</u></b>	<b><u>1,584,212</u></b>

### 6.1 Operating Fixed Assets

Book value as at June 30, 2018

**1,535,925**

Additions during the period:

#### Owned:

- plant & machinery
- tools & equipment
- computers & accessories

<b>120,735</b>
<b>27</b>
<b>183</b>

**120,945**

Depreciation charge for the period

**6.2 (49,778)**

Book value as at March 31, 2019

**1,607,092**

- 6.2** The management, during the current period, in order to ascertain the useful life of operating fixed assets has carried out an internal assessment. Keeping in consideration the assessed remaining useful life of operating fixed assets, depreciation rates of Computers and accessories and Security and surveillance items have been increased from 20% to 30% and 5% to 30% per annum respectively.

The abovementioned revision has been accounted for prospectively, as a change in an accounting estimate, in accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors". Had there been no revision, the carrying value of operating fixed assets would have been higher whereas loss before tax would have been lower by Rs.298 thousand.

<b>7. Investments in an Associated Company - Quoted</b>		<b>Un-audited Mar. 31, 2019</b>	<b>Audited June 30, 2018</b>
<b>Janana De Malucho Textile Mills Ltd. (JDM)</b>	<b>Note</b>	<b>(Rupees in thousand)</b>	
341,000 ordinary shares of Rs.10 each - <b>cost</b>		<b>4,030</b>	4,030
Equity held: 7.13%			
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM		<b>67,729</b>	72,590
Share of revaluation surplus on property, plant and equipment		<b>164,743</b>	165,560
Profit / (loss) for the period / year - net of taxation		<b>495</b>	(4,710)
Share of other comprehensive loss - net of taxation		<b>0</b>	(1,145)
		<b>236,997</b>	<b>236,325</b>
<b>7.1</b> Although the Company has less than 20% voting rights in JDM as at March 31, 2019 and June 30, 2018, it is presumed that the Company has significant influence over JDM due to majority representation on the board of directors of JDM.			
<b>7.2 (a)</b> Market value of the Company's investments in JDM as at March 31, 2019 was Rs.21.142 million (June 30, 2018: Rs.21.868 million).			
<b>(b)</b> The management intends to carry-out impairment testing of its investments in JDM as at June 30, 2019.			
<b>7.3</b> The management, as at June 30, 2018, had carried-out impairment testing of its investment in JDM as required under IAS 36, 'Impairment of assets'. The recoverable amount of investment in JDM amounted Rs.244.357 million. The recoverable amount of investment was determined using the 'value-in-use' computation. In assessing the value in use, estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessment of the time value of money. The pre-tax discount rate applied to cash flow projections was 7.95%. As a result of the aforementioned impairment testing, the management had concluded that the carrying value of investment in JDM did not exceed its recoverable amount.			
<b>8. Revaluation surplus on property, plant and equipment - net</b>			
Revaluation surplus on the Company's property, plant & equipment		<b>739,034</b>	750,075
Share of revaluation surplus on property, plant and equipment of JDM	<b>7</b>	<b>164,743</b>	165,560
		<b>903,777</b>	<b>915,635</b>
<b>9. Long term finances - secured</b>			
The Bank of Khyber, during the current period, has further disbursed Rs.111.716 million against the demand finance facility obtained for import of textile plant and machinery.			

<b>10. Trade and Other Payables</b>	<b>Un-audited Mar. 31, 2019</b>	<b>Audited June 30, 2018</b>
	<b>(Rupees in thousand)</b>	
Creditors	<b>165,995</b>	53,444
Due to an Associated Company (JDM)	<b>3,511</b>	0
Bills payable	<b>0</b>	140,449
Advances from customers	<b>16,885</b>	2,457
Accrued expenses	<b>32,268</b>	63,714
Interest free security deposits - repayable on demand	<b>170</b>	170
Due to Waqf-e-Kuli Khan	<b>12,048</b>	12,048
Income tax deducted at source	<b>7,397</b>	0
Others	<b>754</b>	270
	<b>239,028</b>	<b>272,552</b>
<b>11. Short term finances - secured</b>		
National Bank of Pakistan	<b>612,787</b>	463,208
The Bank of Khyber	<b>346,917</b>	262,920
	<b>959,704</b>	<b>726,128</b>
<b>12. Taxation - net</b>	<b>Un-audited Mar. 31, 2019</b>	
	<b>(Rupees in thousand)</b>	
Balance as at June 30, 2018	<b>17,450</b>	
Add: provision made during the period:		
<b>current</b> (net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 (the Ordinance) amounting Rs.12.074 million)	<b>8,614</b>	
<b>prior year</b>	<b>30</b>	
	<b>8,644</b>	
	<b>26,094</b>	
Less: payments / adjustments made against completed assessment	<b>17,480</b>	
	<b>8,614</b>	
<b>12.1</b> Income tax returns of the Company have been filed upto the tax year 2018, i.e. accounting year ended June 30, 2018.		
<b>12.2</b> Provision for the current period represents tax payable under section 113 (Minimum tax on the income of certain persons) of the Ordinance.		
<b>12.3</b> 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.

### **13. Contingencies and Commitments**

**13.1** The Company had challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of March, 2019, has raised GIDC demands aggregating Rs.505.677 million, which are payable in case of an adverse judgment by the SCP. Provisions for these GIDC demands 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.

**13.2** Guarantee amounting 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 March 31, 2019.

	<b>Un-audited Mar. 31, 2019 (Rupees in thousand)</b>	<b>Audited June 30, 2018 (Rupees in thousand)</b>
<b>13.3</b> Commitments against irrevocable letters of credit outstanding at the period / year-end were for:		
- raw materials	<b>68,707</b>	71,518
- spare parts	<b>14,088</b>	117,626
	<b><u>82,795</u></b>	<u>189,144</u>

**13.4** Also refer contents of note 12.3.

### **14. Transactions with Related Parties**

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

<b>Name</b>	<b>Nature of transaction</b>	<b>Cumulative Jul. - Mar., 2019 (Rupees in thousand)</b>	<b>Jul. - Mar., 2018</b>
<b>Associated Company - JDM</b>			
	Residential rent paid	<b>1,388</b>	1,207
	Utilities / expenses:		
	- recovered	<b>43</b>	49
	- paid	<b>0</b>	0
	Salaries paid	<b>2,094</b>	839
<b>Other related parties</b>			
Key Management Personnel	Salaries and benefits	<b>27,027</b>	14,432

**14.2** Payable to JDM as at March 31, 2019 is disclosed in note 10.

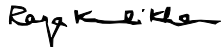
**15. Corresponding Figures**

**15.1** 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 financial year.

**15.2** 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.

**16. 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 25 April, 2019.



Raza Kuli Khan Khattak  
Chief Executive



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



Sikandar Kuli Khan Khattak  
Director

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