44th Annual Report 2014

BCM

BIBOJEE GROUP

BABRI COTTON MILLS LIMITED

بسم الله الرحمن الرحيم

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COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr. Raza Kuli Khan Khattak Chief Executive Mr. Ahmed Kuli Khan Khattak Mrs. Zeb Gohar Ayub Mrs. Shahnaz Sajjad Ahmad Dr. Shaheen Kuli Khan Khattak-Chair Person Mr. Muhammad Ayub Ch. Sher Muhammad Dr. Hamid Zeb Khan	
AUDIT COMMITTEE	Mr. Ahmed Kuli Khan Khattak Mrs. Shahnaz Sajjad Ahmad Ch. Sher Muhammad Mr. Muhammad Ayub	Chairman Member Member Member
HUMAN RESOURCES AND REMUNERATION COMMITTEE	Ch. Sher Muhammad Mr. Raza Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mr. Muhammad Ayub	Chairman Member Member Member
COMPANY SECRETARY	Mr. Arshian Mahboob, FCA, FPA	
CHIEF FINANCIAL OFFICER	Mr. Arshian Mahboob, FCA, FPA	
INTERNAL AUDITOR	Mr. Nasir Ali Khan ACCA	
AUDITORS	M/s 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 Faysal Bank Limited	
REGISTERED OFFICE & MILLS	Habibabad, Kohat Tel : (0922) 862285 - 862292 Fax : (0922) 862283 Website : www.bcm.com.pk E-mail : info@bcm.com.pk	

VISION STATEMENT

To be market leaders in yarn, building company's image through innovation and competitiveness, ensuring satisfaction to customers and stakeholders and to fulfill social obligations.

MISSION STATEMENT

As lead producers of quality yarn we will build on our core competencies and achieve excellence in performance. We aim at exceeding expectations of all stakeholders. We target to achieve technological advancements and to inculcate the most efficient, ethical and time tested business practices in our management.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 44th Annual General Meeting of the shareholders of Babri Cotton Mills Limited (the Company) will be held at the registered office of the Company at Habibabad, Kohat on Monday 27th October, 2014 at 12:00 p.m to transact the following business:

1. To confirm minutes of the Extra Ordinary General Meeting held on March 26, 2014.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending June 30, 2015 and to fix their remuneration.
4. To consider any other business with the permission of the Chair.

Kohat
Dated: October 01, 2014

ARSHIAN MAHBOOB
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 20, 2014 to October 26, 2014 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for his/her behalf. Proxy instrument in order to be effective must be received at the registered office of the Company duly stamped and signed not less than 48 hours before the time of holding the meeting.
3. Individual shareholder/proxy shall produce his/her original national identity card or original passport at the time of attending the meeting and nominee of corporate entity shall produce the board of directors' resolution/power of attorney containing specimen signature of the nominee attending the meeting.
4. The shareholders registered on CDC are also requested to bring their Participants' ID numbers and accounts numbers in CDC. Further, CDC Account Holders will have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by Securities and Exchange Commission of Pakistan for attending the meeting and appointment of proxies.
5. Shareholders are requested to notify the change of their addresses, if any, to Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chamber, Hasrat Mohani Road, Karachi. Tel No. 021-32424826

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of the Company are pleased to present the annual report along with the audited financial statements of the Company for the year ended June 30, 2014. The Directors' Report, prepared under section 236 of the Companies Ordinance, 1984 and clause of (xix) of the Code of Corporate Governance, will be put forward to the members at the 44th Annual General Meeting of the Company to be held on 26 October, 2014

General Overview

The textile industry is the most important sector of the Pakistan which contributes nearly one-fourth value added, consumes forty percent of the banking credit to manufacturing sector, maintains an average share of sixty percent in national exports and accounts for eight percent of of total GDP. Despite of GSP (Generalized system of preferences) Plus status textile industry could not meet its export target of 16.00 billion US dollar and witnessed 13.70 billion US dollar exports in the current financial year as compared to 13.00 billion US dollar in corresponding period. Limited energy supply, both in electricity and gas, to the Punjab-based textile mills that constituted 70 percent of the total size of textile industry in Pakistan has proven a major hurdle in smooth operations and steady growth of textile industry. Serious energy supply constraints have also led to forced closures of production capacities to the extent of 40 to 50 percent.

Financial Results

Current year's results compared with previous year are given as under:

	Year ended June 30,	
	2014	2013
	(Rupees in thousands)	
Sales	**1,927,396**	2,064,442
Gross Profit	**233,713**	450,220
Operating Profit	**142,465**	331,680
Finance Cost	**41,421**	45,824
Profit before Taxation	**113,915**	302,660
Profit after Taxation	**82,020**	215,712
	--------Rupees--------	
Earning per share	**22.46**	59.04

During the current financial year, the Company has registered sales of Rs.1.927 billion as compared to Rs. 2.064 billion of corresponding financial year ended 30 June, 2013. The profit before taxation earned during the current year under review is Rs. 113.915 million as compared with 302.660 million of last year. Apart from increased cost of raw materials, labor and increase in power tariffs, unfavorable market rates have played vital role in decrease of company's profitability.

The Company has also accounted for its share of profit of Janana De Malucho Textile Mills Limited (an Associated Company) amounting Rs.12.871 million during the current year as against profit of Rs. 16.804 million in 2013.

The volume of yarn production has improved to 4,704,560 Kgs as compared to 4,522,502 Kgs during the last financial year, which is 182,058 Kgs (4.02%) higher than preceding year.

The break-up value of company's share (excluding surplus on revaluation of fixed assets) stands at Rs. 184.31 per share as at June 30, 2014 (2013: Rs.157.79 per share).

Status of Financial Facilities

During the year, the Company has repaid whole liability against assets subject to finance lease and Rs. 31.036 million of demand finances which will also be completely repaid in subsequent financial year.

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

Future Prospects

On going power shortage and increase in cost of electricity and gas prices are still playing havoc on the textile industry even after getting the GSP plus status, due to which the industry's export has reduced by 2.37 percent in the month of July, 2014. Incumbent government must initiate serious efforts in order to ensure benefits of GSP Plus status, smooth running and growth for textile industry by providing low cost un-interrupted power supply, better law and order situation and improved textile policy.

The management is fully abreast of the conditions it is being faced with and will strive to ensure continued growth, operational efficiency and optimum results for the Company and its valued stake holders.

Appropriation of dividend

Keeping in view the financial commitments of the company and difficult economic/ industry scenario, the Board of Directors has decided not to recommend any dividend for the year under review.

Corporate and Financial Reporting Frame Work

The Board regularly reviews the Company's strategic direction and sets annual plans and performance targets. The targets are regularly checked to find out whether they are being achieved by the management. The Board assures the share holders that the Company is abiding with the provisions of Code of Corporate Governance implemented through the listing regulations of the Karachi Stock Exchange (Guarantee) Limited. The board further states that:

a) There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations of The Karachi Stock Exchange (Guarantee) Limited.

b) The financial statements, prepared by the management of the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.

c) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.

d) International accounting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed.

e) The system of internal controls is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) Summary of key operating and financial data of the past six years is annexed.

h) Pattern of share holdings of the Company as at June 30, 2014 is annexed.

I) No trades in shares of the Company were carried out by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

j) The Board in compliance with the Code of Corporate Governance has established an Audit Committee and Human Resource & Remuneration Committee comprising of three members each.

Board meetings and attendance by each director

During the year four board meetings were held. The number of meetings attended by each director during the year is given here under.

Name of Directors	Number of meetings attended
Mr. Raza Kuli Khan Khattak	6
Mr. Ahmed Kuli Khan Khattak	4
Mrs. Zeb Gohar Ayub	3
Mrs. Shahnaz Sajjad Ahmed	5
Dr. Shaheen Kuli Khan Khattak	4
Ch. Sher Muhammad	4
Mr. Muhammad Ayub	6
Dr. Hamid Zeb Khan	1

Leave of absence was granted to the directors unable to attend the board meetings.

Key Operating and Financial Data (Six Years Summary)

Key operating and financial data of last six years is enclosed.

Pattern of Shareholding

The statement of pattern of shareholding of the Company as at June 30, 2014 is enclosed. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of Companies Ordinance, 1984 read with Companies (Amendment) Ordinance, 2002.

Appointment of Auditors

The Company's present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board and Board Audit Committee have recommended that the retiring auditors be re-appointed until the conclusion of the next Annual General Meeting.

Acknowledgement

The board places on record its appreciation for the continued support extended to us by our customers, suppliers, bankers and other stake holders. The valuable services rendered by our work force and management are also gratefully acknowledged.

For & on behalf of the Board of Directors,



Raza Kuli Khan Khattak
Chief Executive Officer

Dated:20 September, 2014

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

		2007	2008	2009	2010	2011	2012	2013	2014
CAPACITY AND PRODUCTION									
Spindles installed	Nos.	54,288	54,288	44,400	53,040	53,040	53,040	53,040	**53,040**
Average spindles worked during the year	Nos.	52,404	51,039	44,094	49,285	51,314	52,103	51,690	**51,905**
Production for the year/period	Lbs. in million	8.815	7.893	7.438	8.322	8.735	9.341	9.970	**10.372**
Average count spun during the year/period		56.52	59.92	60.41	56.52	56.57	53.66	51.11	**51.30**
PROFIT AND LOSS ACCOUNT									
Net sales	Rupees in million	746.626	739.868	746.961	1,195.591	1,705.170	1,663.021	2,064.442	**1,927.396**
Gross profit	Rupees in million	74.759	45.627	51.207	275.022	199.633	177.873	450.017	**233.713**
	%	10.01	6.17	6.86	23.00	11.71	10.69	21.80	**12.13**
Operating profit	Rupees in million	54.332	22.440	25.333	234.337	143.820	115.641	331.442	**142.465**
	%	7.28	3.03	3.39	19.60	8.43	6.95	16.05	**7.39**
Profit /(loss) before taxation	Rupees in million	(14.309)	(44.157)	(104.001)	154.697	131.960	61.963	302.336	**113.915**
	%	(1.92)	(5.97)	(11.07)	12.96	7.74	3.72	14.64	**5.91**
Profit /(loss) after taxation	Rupees in million	(11.094)	(29.926)	(73.683)	102.343	122.571	88.036	215.388	**82.020**
	%	(1.49)	(4.04)	(9.86)	8.56	7.19	5.29	10.43	**4.26**
Earnings /(loss) per share - restated	Rupees	(5.55)	(13.40)	(25.44)	30.73	35.24	24.11	58.98	**22.46**
BALANCE SHEET									
Shareholders' equity (excluding surplus on revaluation of fixed assets)	Rupees in million	96.233	95.640	28.724	133.425	265.191	359.854	591.066	**673.113**
Term finance certificates	- do. -	-	-	-	-	56.481	44.714	35.301	**16.474**
Demand finances / bills payable	- do. -	217.250	217.250	217.250	217.250	214.467	183.368	54.422	**23.323**
Liabilities against assets subject to finance lease	- do. -	86.882	86.498	86.064	86.064	59.401	43.032	21.516	-
Operating fixed assets	- do. -	825.406	794.266	1,000.084	1,005.891	1,035.313	1,344.558	1,305.295	**1,374.837**
Additions in fixed assets	- do. -	57.863	4.777	15.607	39.930	70.369	49.024	12.204	**120.706**
Current assets	- do. -	281.218	358.720	349.881	349.792	434.382	391.663	437.584	**698.576**
Current liabilities	- do. -	416.248	524.623	526.995	404.356	436.013	329.883	299.397	**571.684**
OTHERS									
Break up value per share	Rupees	48.12	33.02	9.92	46.07	72.61	98.53	161.84	**184.31**
Employees at year end	Nos.	1,383	1,224	879	1,143	1,078	965	1,110	**1,285**

PATTERN OF SHARE HOLDING AS AT 30 JUNE, 2014

Number of Shareholder	Shareholding		Shares Held	Percentage
	From	To		
1,008	1	100	24,517	0.67
372	101	500	88,118	2.41
117	501	1,000	90,187	2.47
112	1,001	5,000	229,036	6.27
17	5,001	10,000	113,572	3.11
7	10,001	15,000	91,652	2.51
3	15,001	20,000	51,713	1.42
3	20,001	25,000	65,000	1.78
2	30,001	35,000	66,000	1.81
1	35,001	40,000	35,452	0.97
1	40,001	45,000	40,576	1.11
1	50,001	55,000	48,500	1.33
1	55,001	60,000	57,638	1.58
2	65,001	70,000	132,700	3.63
1	80,001	85,000	80,578	2.21
1	105,001	110,000	106,000	2.90
1	140,001	145,000	144,421	3.95
1	320,001	325,000	321,778	8.81
1	585,001	590,000	587,493	16.09
1	1,275,001	1,280,000	1,277,247	34.97
1,653			**3,652,178**	**100.00**

Categories of Shareholders	Shares	Percentage
Directors, Chief Executive Officer and their spouses and minor children	60,457	1.66
Associated Companies, Undertakings and Related Parties	2,066,799	56.59
NIT & ICP	82,062	2.25
Banks, Development Finance Institutions, Non- Banking Financial Institutions	391,567	10.72
Insurance Companies	57	0.00
Modarabas & Mutual Funds	1,150	0.03
General Public (Local)	1,020,767	27.95
Others Companies	27,591	0.76
Administrator Abandoned Properties	1,728	0.05

Arshian Mahboob FCA
Company Secretary

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF COPORATE GOVERNANCE.

SR #	Catogories of Share Holders		Shares	Percentage
1	**Directors, CEO and their spouses and minor children**			
	Mr. Raza Kuli Khan Khattak	(Chief Executive)	13,982	0.383
	Mr. Ahmed Kuli Khan Khattak	(Director)	13,981	0.383
	Mr. Ch. Sher Muhammad	(Director)	2,875	0.079
	Mr. Muhammad Ayub	(Director)	2,875	0.079
	Dr. Hamid Zeb	(Director)	918	0.025
	Mrs. Zeb Gohar Ayub	(Director)	11,842	0.324
	Mrs. Shahnaz Sajjad Ahmad	(Director)	6,992	0.191
	Dr. Shaheen Kuli Khan Khattak	(Chair Person / Director)	6,992	0.191
2	**Associated Companies, Undertaking and Related Parties**			
	Bannu Woollen Mills Limited		144,421	3.954
	Bibojee Services (Pvt) Limited		1,277,247	34.972
	Janana De Malucho Textile Mills Limited		587,493	16.086
	Waqf-e-Kuli Khan		57,638	1.578
3	**NIT & ICP**			
	Investment Corporation of Pakistan		1,291	0.035
	CDC- Trustee National Investment (Unit) Trust		80,578	2.206
	IDBP (ICP UNIT)		193	0.005
4	**Banks, Development Financial Institutions, Non Banking Finance Institutions**		391,567	10.721
5	**Insurance Compaines**			
	The New Jubilee Insurance Co Ltd		57	0.002
6	**Modarabas & Mutual Funds**			
	First UDL Modaraba		1,150	0.031
7	**General Public (Local)**		1,020,767	27.950
8	**Others Companies**		27,591	0.76
9	**Administrator Abandoned Properties**		1,728	0.047
10	**Shareholders Holding 05% Or More**			
	Bibojee Services (Pvt) Limited		1,277,247	34.972
	Janana De Malucho Textile Mills Limited		587,493	16.086

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Muhammad Ayub
Executive Director	Mr. Raza Kuli Khan Khattak
Non-Executive Directors	Mr. Ahmed Kuli Khan Khattak Mrs. Zeb Gohar Ayub Mrs. Shahnaz Sajjad Ahmed Dr. Shaheen Kuli Khan Khattak Ch. Sher Muhammad Dr. Hamid Zeb Khan

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No Casual vacancy occurred on the board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged no training program for its directors during the year as all the directors held adequate exposure to discharge their duties and responsibilities.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairperson of the committee is non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with, except for which are not yet applicable during the current financial year, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Raza Kuli Khan

Kohat
Dated: September 20, 2014

(Raza Kuli Khan Khattak)
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **BABRI COTTON MILLS LIMITED** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No.35 of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE; September 20, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BABRI COTTON MILLS LIMITED** (the Company) as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in an accounting policy as stated in note 5 to the annexed financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE; September 20, 2014

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) July 01, 2012
		(Rupees in thousand)		
ASSETS				
Non-current assets				
Property, plant and equipment	6	1,374,837	1,305,295	1,344,558
Investments in an Associated Company	7	73,430	59,425	42,609
Long term loans	8	1,365	766	647
Security deposits		1,151	1,063	1,063
		1,450,783	1,366,549	1,388,877
Current assets				
Stores, spares and loose tools	9	19,299	15,628	11,087
Stock-in-trade	10	609,172	348,027	338,540
Trade debts	11	367	11,028	1,372
Loans and advances	12	11,179	11,071	5,214
Prepayments		535	334	322
Due from Associated Companies	13	1,092	1,072	0
Other receivables		2,832	4,374	875
Sales tax refundable		15,500	13,910	12,120
Income tax refundable, advance tax and tax deducted at source		32,894	27,354	20,031
Cash and bank balances	14	5,706	4,786	2,107
		698,576	437,584	391,668
TOTAL ASSETS		2,149,359	1,804,133	1,780,545
EQUITY AND LIABILITIES				
Equity				
Authorised capital	15	250,000	250,000	250,000
Issued, subscribed and paid-up capital	16	36,522	36,522	36,522
Reserves	17	105,834	105,978	106,130
Unappropriated profit		530,757	433,041	212,856
Shareholders' equity		673,113	575,541	355,508
Term finance certificates	18	7,062	25,888	35,301
Surplus on revaluation of property, plant and equipment	19	606,387	620,677	630,544
Liabilities				
Non-current liabilities				
Demand finances	20	0	23,386	152,332
Liabilities against assets subject to finance lease		0	0	21,516
Staff retirement benefits - gratuity	21	55,797	43,551	45,676
Deferred taxation	22	235,316	215,692	147,820
		291,113	282,629	367,344
Current liabilities				
Trade and other payables	23	138,152	131,907	88,096
Accrued interest / mark-up	24	11,334	6,866	18,565
Short term finances	25	380,546	88,321	223,222
Current portion of non-current liabilities	26	32,736	61,965	61,965
Taxation	27	8,916	10,339	0
		571,684	299,398	391,848
Total liabilities		862,797	582,027	759,192
Contingencies and commitments	28			
TOTAL EQUITY AND LIABILITIES		2,149,359	1,804,133	1,780,545

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

Raza Kuli Khan Khattak
Chief Executive

Ahmad Kuli Khan Khattak
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	Re-stated 2013
		(Rupees in thousand)	
Sales	29	1,927,396	2,064,442
Cost of Sales	30	1,693,683	1,614,222
Gross Profit		233,713	450,220
Distribution Cost	31	9,644	42,999
Administrative Expenses	32	64,213	53,320
Other Expenses	33	22,848	26,783
Other Income	34	(5,457)	(4,562)
		91,248	118,540
Profit from Operations		142,465	331,680
Finance Cost	35	41,421	45,824
		101,044	285,856
Share of Profit of an Associated Company	7	12,871	16,804
Profit before Taxation		113,915	302,660
Taxation	36	31,895	86,948
Profit after Taxation		82,020	215,712
Other Comprehensive Loss			
Items that will not be reclassified to profit or loss:			
- loss on remeasurement of staff retirement benefit obligation (net of deferred tax)		(3,528)	(9,482)
- share of other comprehensive loss of an Associated Company (net of taxation)		(1,150)	(65)
		(4,678)	(9,547)
Total Comprehensive Income		77,342	206,165
		------- Rupees -------	
Earnings per Share	37	22.46	59.06

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

Raza Kuli Khan Khattak
Chief Executive

Ahmad Kuli Khan Khattak
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in thousand)	
Cash flow from operating activities		
Profit for the year - before taxation and share of profit of an Associated Company	101,044	285,856
Adjustments for non-cash charges and other items:		
Depreciation	49,366	50,643
Loss / (gain) on sale of operating fixed assets - net	13,427	(9)
Amortisation of gain on forward foreign exchange contracts	(144)	(152)
Amortisation of restructuring cost on demand finances	(63)	(261)
Staff retirement benefits - gratuity (net)	8,718	(16,267)
Finance cost	40,877	45,439
Profit before working capital changes	213,225	365,249
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores, spares and loose tools	(3,671)	(4,541)
Stock-in-trade	(261,145)	(9,487)
Trade debts	10,661	(9,656)
Loans and advances	(108)	(5,857)
Prepayments	(201)	(12)
Due from Associated Companies	(20)	(1,072)
Other receivables	1,542	(3,499)
Sales tax refundable	(1,590)	(1,790)
Increase in trade and other payables	6,245	43,810
	(248,287)	7,896
Cash (used in) / generated from operations	(35,062)	373,145
Taxes paid	(15,434)	(7,323)
Long term loans - net	(599)	(119)
Net cash (used in) / generated from operating activities	(51,095)	365,703
Cash flow from investing activities		
Fixed capital expenditure	(135,614)	(12,204)
Sale proceeds of operating fixed assets	3,279	833
Security deposits	(88)	0
Net cash used in investing activities	(132,423)	(11,371)
Cash flow from financing activities		
Term finance certificates redeemed	(18,826)	(9,413)
Demand finances repaid	(31,036)	(128,685)
Lease finances - net	(21,516)	(21,516)
Short term finances - net	292,225	(134,901)
Finance cost paid	(36,409)	(57,138)
Net cash generated from / (used in) financing activities	184,438	(351,653)
Net increase in cash and cash equivalents	920	2,679
Cash and cash equivalents - at beginning of the year	4,786	2,107
Cash and cash equivalents - at end of the year	5,706	4,786

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

Raza Kuli Khan Khattak
Chief Executive

Ahmad Kuli Khan Khattak
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Reserves				Unappro-priated profit	Total
		Share premium reserve	General reserve	Gain on hedging instru-ments	Sub-total		
	---------- Rupees in thousand ----------						
Balance as at July 01, 2012 - as previously reported	36,522	15,096	88,000	3,034	106,130	217,199	359,851
Effect of change in accounting policy with respect to accounting for recognition of actuarial loss on staff retirement benefit scheme - gratuity (net of tax) - note 5	0	0	0	0	0	(4,343)	(4,343)
Balance as at July 01, 2012 - as restated	36,522	15,096	88,000	3,034	106,130	212,856	355,508
Total comprehensive income for the year ended June 30, 2013:							
- profit for the year	0	0	0	0	0	215,712	215,712
- other comprehensive loss	0	0	0	0	0	(9,547)	(9,547)
	0	0	0	0	0	206,165	206,165
Amortisation of gain on forward foreign exchange contracts	0	0	0	(152)	(152)	0	(152)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year	0	0	0	0	0	13,943	13,943
Effect of items directly credited in equity by an Associated Company - restated	0	0	0	0	0	77	77
Balance as at June 30, 2013 - as restated	36,522	15,096	88,000	2,882	105,978	433,041	575,541
Total comprehensive income for the year ended June 30, 2014:							
- profit for the year	0	0	0	0	0	82,020	82,020
- other comprehensive loss	0	0	0	0	0	(4,678)	(4,678)
	0	0	0	0	0	77,342	77,342
Amortisation of gain on forward foreign exchange contracts	0	0	0	(144)	(144)	0	(144)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation):							
- on account of incremental depreciation for the year	0	0	0	0	0	13,383	13,383
- upon sale of revalued assets	0	0	0	0	0	4,707	4,707
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	2,284	2,284
Balance as at June 30, 2014	36,522	15,096	88,000	2,738	105,834	530,757	673,113

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

Raza Kuli Khan Khattak
Chief Executive

Ahmad Kuli Khan Khattak
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND OPERATIONS

Babri Cotton Mills Limited (the Company) was incorporated in Pakistan on October 26, 1970 as a Public Company. Its shares are quoted on Karachi Stock Exchange Limited. It 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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Ordinance or the requirements of the said directives prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. 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 expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

(c) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 21.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on July 01, 2013:

Amendment to IAS 1, ' Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefit obligation by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following new standards and amendments to published approved standards are not effective (although available for early adoption) for the financial year beginning on July 01, 2013 and have not been early adopted by the Company:

(a) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable on accounting periods beginning on or after January 01, 2014. This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The Company shall apply this amendment from July 01, 2014 and does not expect to have a material impact on its financial statements.

(b) IFRS 9 'Financial Instruments - Classification and Measurement' is applicable on accounting periods beginning on or after January 01, 2015. This standard is yet to be notified by SECP. IFRS 9 replaces the parts of IAS 39 'Financial Instruments: Recognition and Measurement', that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The Company does not expect to have a material impact on its financial statements due to application of this standard.

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published approved standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment and depreciation

These, other than freehold land, buildings on freehold land, plant & machinery, generators and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings on freehold land, plant & machinery and generators are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of some items of plant & machinery consists of historical cost and

exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

Freehold land, buildings on freehold land, plant & machinery and generators were revalued during prior years. Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 6. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

4.2 Assets subject to finance lease

Lease where the Company has substantially all the risks and rewards of ownership is classified as finance lease. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rates stated in note 6 applying reducing balance method to write-off cost of the assets over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed-off.

Finance cost and depreciation on leased assets are charged to income currently.

4.3 Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of investments is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

4.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.5 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
-At mills	- At lower of annual average cost and net realisable value.
-In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.6 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

4.8 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.9 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2014 on the basis of the projected unit credit method by an independent Actuary.

4.10 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.12 Taxation

(a) Current

Provision for current taxation is based on taxable income / turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductable temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.13 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

4.14 Derivative financial instruments

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instruments at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges, if a hedge of a forecast transaction which subsequently results in the recognition of a non-financial asset, the associated gains and losses (that were recognised directly in equity) are taken to profit and loss account in the same period during which the asset acquired effects the profit and loss account.

4.15 Financial instruments

Financial instruments include deposits, trade debts, due from Associated Companies, other receivables, bank balances, term finance certificates, demand finances, liabilities against assets subject to finance lease, trade & other payables, accrued interest / mark-up and short term finances. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.16 Offsetting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.17 Foreign currency translations

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

4.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recorded on dispatch of goods.
- Return on deposits is accounted for on 'accrual basis'.
- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.19 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.20 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 43 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits - gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' is recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2013	July 01, 2012
	Rupees in thousand	
Impact on Balance Sheet		
Increase in staff retirement benefits- gratuity	20,585	6,681
Decrease in deferred taxation	(6,998)	(2,338)
Decrease in unappropriated profit	13,587	4,343
Impact on Statement of Changes in Equity		
Decrease in unappropriated profit		
- cumulative effect from prior years	0	4,343
- impact for the year ended	9,244	
Impact on Profit and Loss Account		
Decrease in:		
- cost of sales	203	
- distribution cost	2	
- administrative expenses	33	
Increase in profit after taxation	238	
Impact on Other Comprehensive Income		
Item that will not be reclassified to profit or loss	(238)	

The effect of change in accounting policy, due to application of IAS 19 (Revised), on earnings per share for the year ended June 30, 2013 is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		(Rupees in thousand)	
Operating fixed assets	6.1	1,359,929	1,305,295
Capital work-in-process - generators		14,908	0
		1,374,837	1,305,295

6.1 Operating fixed assets

	Owned													Leased		Total
	Freehold land	Roads, paths and culverts on freehold land	Buildings on freehold land				Plant & machinery	Generators	Tools & equipment	Furniture & fixtures	Office equipment	Security & surveillance	Arms	Vehicles	Plant & machinery	Generators	
			Factory	Non-factory	Residential officers	Residential workers											
	Rupees in thousand																
As at June 30, 2012																	
Cost / Revaluation	355,320	120	132,451	14,105	1,011	14,637	694,047	31,646	1,737	2,374	1,990	0	29	15,770	49,801	75,000	1,390,038
Accumulated depreciation	0	101	0	0	0	2,878	0	27,102	1,123	1,353	701	0	17	9,410	1	2,794	45,480
Book value	355,320	19	132,451	14,105	1,011	11,759	694,047	4,544	614	1,021	1,289	0	12	6,360	49,800	72,206	1,344,558
Year ended June 30, 2013:																	
Additions	0	0	2,311	0	0	0	4,350	102	85	1,003	114	0	115	4,124	0	0	12,204
Disposals: Cost	0	0	0	0	0	0	0	0	0	0	(35)	0	0	(1,997)	0	0	(2,032)
Depreciation	0	0	0	0	0	0	0	0	0	0	2	0	0	1,226	0	0	1,228
Depreciation for the year	0	1	6,686	705	50	588	34,825	231	32	56	65	0	3	1,301	2,490	3,610	50,643
Book value	355,320	18	128,076	13,400	961	11,171	663,572	4,415	667	1,968	1,305	0	124	8,392	47,310	68,596	1,305,295
Year ended June 30, 2014:																	
Additions	0	0	13,888	819	0	0	36,252	67,329	0	484	591	1,343	0	0	0	0	120,706
Disposals: Cost	0	0	0	0	0	0	(9,117)	(15,000)	0	0	0	0	0	0	0	0	(24,117)
Depreciation	0	0	0	0	0	0	5,508	1,903	0	0	0	0	0	0	0	0	7,411
Transfer:																	
Cost	0	0	0	0	0	0	49,801	75,000	0	0	0	0	0	0	(49,801)	(75,000)	0
Depreciation	0	0	0	0	0	0	(3,871)	(8,405)	0	0	0	0	0	0	3,871	8,405	0
Depreciation for the year	0	1	6,479	675	48	559	34,421	1,878	33	112	85	9	6	1,679	1,380	2,001	49,366
Book value	355,320	17	135,485	13,544	913	10,612	707,724	123,364	634	2,340	1,811	1,334	118	6,713	0	0	1,359,929
As at June 30, 2013																	
Cost / Revaluation	355,320	120	134,762	14,105	1,011	14,637	698,397	31,748	1,822	3,377	2,069	0	144	17,897	49,801	75,000	1,400,210
Accumulated depreciation	0	102	6,686	705	50	3,466	34,825	27,333	1,155	1,409	784	0	20	9,505	2,491	6,404	94,915
Book value	355,320	18	128,076	13,400	961	11,171	663,572	4,415	667	1,968	1,305	0	124	8,392	47,310	68,596	1,305,295
As at June 30, 2014																	
Cost / Revaluation	355,320	120	148,650	14,924	1,011	14,637	775,333	159,077	1,822	3,861	2,660	1,343	144	17,897	0	0	1,496,799
Accumulated depreciation	0	103	13,165	1,380	98	4,025	67,609	35,713	1,188	1,521	849	9	26	11,184	0	0	136,870
Book value	355,320	17	135,485	13,544	913	10,612	707,724	123,364	634	2,340	1,811	1,334	118	6,713	0	0	1,359,929
Depreciation rate (%)	5	5	5	5	5	5	5	5	5	5	5	5	5	20	5	5	

6.2 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2014	2013
	(Rupees in thousand)	
Owned		
- freehold land	**3,642**	3,642
- buildings on freehold land	**67,433**	55,586
- plant & machinery	**423,890**	381,953
- generators	**120,158**	22,771
Leased		
- plant & machinery	**0**	28,188
- generators	**0**	41,432
	615,123	533,572

6.3 **Depreciation for the year has been apportioned as under:**

- cost of sales	**47,097**	48,723
- administrative expenses	**2,269**	1,920
	49,366	50,643

6.4 **Disposal of operating fixed assets**

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	------ Rupees in thousand ------						
Plant & machinery							
04 Makin cards	1,814	1,166	648	899	251	Negotiation	Mr. Khalid Mehmood, Faisalabad.
SACM simplex machine	1,496	900	596	381	(215)	--- do ---	Malik Shafqat, Faisalabad.
Compressor	18	17	1	110	109	--- do ---	- do -
Step cleaner & breaker	977	612	365	212	(153)	--- do ---	- do -
Simplex machine	1,496	905	591	369	(222)	--- do ---	M/s. Ilyas Traders, Faisalabad.
03 Toyoda cards	2,021	931	1,090	692	(398)	--- do ---	Taxila Cotton Mills Ltd., Islamabad.
02 Murata cone winding machines	1,295	977	318	616	298	--- do ---	Mr. Khurram Hanif, Gujranwala.
	9,117	5,508	3,609	3,279	(330)		
Generators' parts (note 6.5)	15,000	1,903	13,097	0	(13,097)	Written-off	
	24,117	7,411	16,706	3,279	(13,427)		

6.5 These parts having book value of Rs.13.097 million were written-off during the year after overhauling of the generators. These parts, due to continuous use, had fully exhausted their useful life; accordingly, the management decided to write-off these parts.

7. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted	2014	Re-stated 2013
	(Rupees in thousand)	
Janana De Malucho Textile Mills Ltd. (JDM)		
341,000 (2013: 341,000) ordinary shares of Rs.10 each - cost	**4,030**	4,030
Equity held: 7.13% (2013: 7.13%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	**57,679**	38,656
Profit for the year - net of taxation	**12,871**	16,804
Share of other comprehensive loss - net of taxation	**(1,150)**	(65)
	73,430	59,425

7.1 Market value of the Company's investment in JDM as at June 30, 2014 was Rs.28.303 million (2013: Rs.22.165 million).

7.2 Summarised financial information of JDM, based on the audited financial statements for the year ended June 30, 2014, is as follows:

- equity as at June 30,	**1,023,320**	835,584
- total assets as at June 30,	**3,576,849**	3,339,138
- total liabilities as at June 30,	**1,276,033**	1,213,328
- revenue for the year ended June 30,	**2,983,385**	2,714,679
- profit before taxation for the year ended June 30,	**249,465**	319,789
- profit after taxation for the year ended June 30,	**180,597**	235,790
- other comprehensive loss for the year ended June 30,	**(16,133)**	(917)

8. LONG TERM LOANS - Secured	Note	2014	2013
Interest free loans to:		(Rupees in thousand)	
- executives	8.1(a)	**3,452**	1,790
- employees	8.2	**2,451**	1,788
		5,903	3,578
Less: current portion grouped under current assets		**4,538**	2,812
		1,365	766

8.1(a)			
	Balance at beginning of the year	**1,790**	31
	Add: disbursements made during the year	**5,160**	4,200
		6,950	4,231
	Less: recoveries / adjustments made during the year	**3,498**	2,441
	Balance at end of the year	**3,452**	1,790

(b) These loans have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the executives at the end of respective employment terms.

(c) Maximum aggregate amount of advances due from executives at any month-end during the year was Rs.3 million (2013: Rs.2.200 million).

8.2 These loans are recoverable in monthly instalments and are adjustable against the gratuity balances of the respective employees at the end of employment terms.

8.3 The fair value adjustments as required by IAS 39 (Financial instruments: Recognition and Measurement) arising in respect of staff loans are not considered material and hence not recognised.

9. STORES, SPARES AND LOOSE TOOLS	Note	2014 (Rupees in thousand)	2013
Stores		6,727	4,204
Spares including in-transit inventory valuing Rs.1.494 million (2013: Nil)		12,521	11,370
Loose tools		51	54
		19,299	15,628

10. STOCK-IN-TRADE			
Raw materials including in-transit inventory valuing Rs.11.190 million (2013: Rs.43.728 million)	10.1	399,795	299,168
Work-in-process		35,702	31,777
Finished goods		173,675	17,082
		609,172	348,027

10.1 Raw material stocks valuing Rs.295.722 million (2013: Rs.90.432 million) were pledged with National Bank of Pakistan as at June 30, 2014 as security for short term finance facilities (note 25.1).

11. TRADE DEBTS - Unsecured		
Balance at the year-end	2,657	13,318
Less: provision made against doubtful debts	2,290	2,290
	367	11,028

12. LOANS AND ADVANCES			
Current portion of long term loans - secured	8	4,538	2,812
Advances (unsecured - considered good):			
- employees		2,951	3,251
- contractors and suppliers		3,690	5,008
		11,179	11,071

13. DUE FROM ASSOCIATED COMPANIES		
Bannu Woollen Mills Ltd.	546	536
Rehman Cotton Mills Ltd.	546	536
	1,092	1,072

13.1 These balances have arisen on account of sharing of combined expenses with the Associated Companies.

14. CASH AND BANK BALANCES

	Note	2014	2013
		(Rupees in thousand)	
Cash-in-hand		34	8
Cash at banks on:			
- current accounts		282	518
- dividend accounts		57	57
- term deposit receipt	14.1	5,200	4,000
- PLS account	14.2	14	91
- PLS security deposit account	14.2	119	112
		5,672	4,778
		5,706	4,786

14.1 This carries profit at the rate of 8.3% (2013: 9.2%) per annum and is under lien of a commercial bank against guarantee issued by it in favour of Sui Northern Gas Pipelines Ltd.

14.2 These carry profit at the rates of 5% to 6% (2013: 6%) per annum.

15. AUTHORISED SHARE CAPITAL

2014	2013		2014	2013
---- Numbers ----				
17,500,000	17,500,000	Ordinary shares of Rs.10 each	175,000	175,000
7,500,000	7,500,000	Redeemable cumulative preference shares of Rs.10 each	75,000	75,000
25,000,000	25,000,000		250,000	250,000

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2,896,000	2,896,000	Ordinary shares of Rs.10 each fully paid in cash	28,960	28,960
434,400	434,400	Ordinary shares of Rs.10 each issued as fully paid bonus shares	4,344	4,344
321,778	321,778	Ordinary shares of Rs.10 each issued to a Bank by conversion of long term liabilities	3,218	3,218
3,652,178	3,652,178		36,522	36,522

16.1 Ordinary shares held by the Associated Companies and an Associate at the year-end:

	2014	2013
	--- Numbers ----	
Bibojee Services (Pvt.) Ltd.	1,277,247	1,277,247
Bannu Woollen Mills Ltd.	144,421	144,421
Janana De Malucho Textile Mills Ltd.	587,493	587,493
Waqf-e-Kuli Khan	57,638	57,638
	2,066,799	2,066,799

17. RESERVES

		2014	2013
		(Rupees in thousand)	
Capital reserve	17.1	15,096	15,096
General reserve		88,000	88,000
Gain on remeasurement of forward foreign exchange contracts - cash flow hedge		2,738	2,882
		105,834	105,978

17.1 This represents share premium received @ Rs.6 per share on 1,000,000 right shares issued by the Company during the financial years ended September 30, 1992 & September 30, 1993 and @ Rs.15 per share on 896,000 ordinary shares issued as otherwise than right in accordance with the provisions of section 86(1) of the Companies Ordinance, 1984 during the financial year ended June 30, 2008. The Company, during the financial year ended June 30, 2011, had issued 434,400 bonus shares out of this reserve.

18. TERM FINANCE CERTIFICATES (TFCs) - Secured

	Note	2014	2013
		(Rupees in thousand)	
Opening balance		35,301	35,301
Less: TFCs redeemed during the year		18,826	0
Closing balance	20.3	16,475	35,301
Less: current portion grouped under current liabilities		9,413	9,413
		7,062	25,888

19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

19.1 The Company had revalued its freehold land on September 30, 1998, September 30, 2004, January 31, 2007 and June 27, 2009. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004 and January 31, 2007. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs. 506.250 million.

19.2 The Company, as at June 30, 2012, has again revalued its freehold land, buildings on freehold land, plant & machinery and generators (owned and leased). The revaluation exercise has been carried-out by independent Valuers - SAS International Corporation (Muccadum & Valuators), Gulberg, 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 appraisal surplus arisen on latest revaluation aggregating Rs.302.440 million has been credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2014	2013
	(Rupees in thousand)	
Opening balance	759,251	780,702
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	(20,277)	(21,451)
- upon sale of revalued assets	(7,132)	0
	731,842	759,251
Less: deferred tax on:		
- opening balance of surplus	138,574	150,158
- incremental depreciation for the year	(6,894)	(7,508)
- sale of revalued assets	(2,425)	0
	129,255	142,650
	602,587	616,601
Resultant adjustment due to reduction in tax rate	3,800	4,076
Closing balance	606,387	620,677

20. DEMAND FINANCES - Secured	2014	2013
	(Rupees in thousand)	
National Bank of Pakistan (NBP)		
Balance of rescheduled demand finances as at June 30,	23,276	54,312
Restructuring cost balance as at June 30,	47	110
	23,323	54,422
Less: current portion grouped under current liabilities	23,323	31,036
	0	23,386

20.1 Movement in the demand finances account during the year was as follows:

Balance as at June 30, 2013	54,312
Less:	
Instalments repaid during the year	15,518
Excess repayment made due to improved gross profit earned during the year	15,518
	31,036
Balance as at June 30, 2014	23,276

20.2 **(a)** The Company and NBP had entered into a finance facilities agreement on January 12, 2011 whereby the Company was allowed to pay / settle the portion of aggregate outstanding amount of the rescheduled demand finance (RDF) aggregating Rs.217.250 million through conversion of loan into ordinary shares, proceeds of issuance of preference shares and term finance certificates (TFCs).

(b) NBP had allowed the Company to convert the overdue principal portion of outstanding RDF amounting Rs.3.218 million into 321,778 ordinary shares of Rs.10 each at the conversion rate of Rs.10 per share under section 87 of the Companies Ordinance, 1984. The Company had issued these shares during the financial year ended June 30, 2011.

(c) NBP had allowed the Company to repay the portion of overdue principal amount of Rs.74.372 million along with mark-up to be due thereon from time to time under the Khyber Pakhtunkhwa Relief Package issued by State Bank of Pakistan through its circular / notification Ref. # SMEFD Circular No.11 dated July 01, 2010 (the KPK Package) in 10 equal half-yearly instalments with a grace period of three years.

After expiry of the KPK Package on December 31, 2011, the Company was liable to repay the overdue principal amount through the proceeds of issuance of unlisted non-voting cumulative convertible / redeemable preference shares of Rs.10 each. NBP had the option to redeem and convert these preference shares into ordinary shares at the rate of Rs.10 per share; however, NBP had allowed and the Company had repaid the portion of overdue principal amount of Rs. 74.372 million during the preceding financial year in lieu of issuance of cumulative convertible / redeemable preference shares.

(d) NBP has allowed the Company to repay the remaining portion of principal amount of Rs.139.660 million under the KPK Package as a demand finance facility in 9 equal semi-annual instalments of Rs.15.518 million commenced from July, 2011. After the expiry of KPK Package on December 31, 2011, the Company is liable to repay the remaining portion as a demand finance facility along with mark-up to be due thereon from time to time.

20.3 Mark-up portion of finance facilities

NBP has allowed the Company to repay the aggregate overdue (frozen) mark-up of Rs.56.481 million in respect of finance facilities through the proceeds of issuance of privately placed TFCs with nil mark-up rate. NBP had subscribed these TFCs during the financial year ended June 30, 2011. Significant terms and conditions of this TFCs issue are as follows:

Total issue size	Rs. 56.481 million
Instrument	Unrated, unlisted and secured TFCs issued as redeemable capital under section 120 of the Companies Ordinance, 1984.
Purpose of issuance of TFCs	To pay overdue mark-up of NBP (TFC holder) against demand finance facilities availed by the Company during the period from December, 2008 to December, 2010.
Tenor	6 years from the issue date i.e. January 12, 2011.
Security	First charge on fixed assets of the Company for Rs.700 million.
Profit rate	Nil
Profit payment	None

Principal repayment	6 years with the condition that at least 10% of the original TFCs amount is redeemed each year. The redemption has been linked to gross profit and cash flows of the Company. As per the redemption schedule, the total principal amount of TFCs of Rs.56.481 million is redeemable in 6 equal annual instalments of Rs.9.413 million commenced from January, 2012.
Redemption reserve	No redemption reserve has been created for redemption of TFCs. In view of projected financial cash flows, the Company is expected to have adequate funds to meet its financial obligations.
Enhanced redemption of TFCs	If the Company generates excess cash flows due to any reason other than the increase due to gross profit margin, the Company is allowed to make excess payment without any prepayment charges.
Transfer of TFCs	The TFCs are transferable in the manner as provided in the Companies Ordinance, 1984.

20.4 Mark-up rate

During the validity of KPK Package upto December 31, 2011, the Company had paid mark-up on demand finance facility at the rate of 7.5% per annum. After the expiry of KPK Package, the Company is paying mark-up on demand finance facility at the base rate (6-months KIBOR) plus 1.75% per annum. Mark-up rates, during the current year, have ranged from 10.84% to 11.90% (2013: 11.13% to 13.81%) per annum.

21. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2014	2013
- discount rate	**13.25%**	10.5%
- expected rate of growth per annum in future salaries	**12.25%**	9.5%
- average expected remaining working life time of employees	**8 years**	10 years

	2014	Re-stated 2013
The amount recognised in the balance sheet is as follows:	(Rupees in thousand)	
Present value of defined benefit obligation	**55,631**	40,835
Payable to outgoing members	**166**	2,716
Net liability at end of the year	**55,797**	43,551
Net liability at beginning of the year	**43,551**	45,676
Charge to profit and loss account	**16,954**	12,550
Experience adjustments	**3,528**	14,142
Payments made during the year	**(8,236)**	(28,817)
Net liability at end of the year	**55,797**	43,551
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**40,835**	43,012
Current service cost	**12,965**	6,958
Interest cost	**3,989**	5,592
Benefits paid	**(5,580)**	(26,153)
Benefits payable to outgoing members	**(106)**	(2,716)
Experience adjustments	**3,528**	14,142
Closing balance	**55,631**	40,835
Expense recognised in profit and loss		
Current service cost	**12,965**	6,958
Interest cost	**3,989**	5,592
Charge for the year	**16,954**	12,550
Remeasurement recognised in other comprehensive income		
Experience adjustments	**3,528**	14,142

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2014	2013	2012	2011	2010
	Rupees in thousand				
Present value of defined benefit obligation	**55,631**	40,835	43,012	46,136	22,514
Experience adjustment on obligation	**3,528**	14,142	1,370	4,068	0

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

	2014	Re-stated 2013
	(Rupees in thousand)	
22. DEFERRED TAXATION - Net		
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**143,178**	130,695
- surplus on revaluation of property, plant & equipment	**125,455**	138,574
	268,633	269,269
Deductible temporary difference arising in respect of:		
- staff retirement benefits - gratuity	**(18,413)**	(14,807)
- provision for doubtful debts	**(756)**	(779)
- unused tax losses	**0**	(23,953)
- minimum tax recoverable against normal tax charge in future years	**(14,148)**	(14,038)
	(33,317)	(53,577)
	235,316	215,692

23. TRADE AND OTHER PAYABLES	Note	2014	2013
		(Rupees in thousand)	
Due to Associated Companies		**2,240**	1,093
Creditors		**23,277**	11,763
Bills payable	23.1	**11,133**	0
Advances from customers		**6,097**	20,551
Accrued expenses		**64,690**	55,525
Interest free security deposits - repayable on demand		**170**	100
Workers' (profit) participation fund	23.2	**5,520**	15,619
Waqf-e-Kuli Khan	33.1	**12,048**	10,275
Workers' welfare fund		**8,383**	12,277
Income tax deducted at source		**2,149**	2,226
Unclaimed dividends		**2,431**	2,431
Others		**14**	47
		138,152	131,907

23.1 These are secured against lien on import documents.

		Note	2014	2013
23.2	**Workers' (profit) participation fund** (the Fund)*		(Rupees in thousand)	
	Opening balance		**15,619**	2,881
	Add: interest on funds utilised in the Company's business		**743**	215
	Less: paid to workers		**(16,362)**	(3,096)
			0	0
	Add: allocation for the year		**5,520**	15,619
	Closing balance		**5,520**	15,619

* The Fund's audit for the year ended June 30, 2013 was carried-out by M/s Hasnain Ali & Co., Chartered Accountants, Gulberg-II, Lahore.

24. ACCRUED INTEREST / MARK-UP

Interest / mark-up accrued on:		
- demand finances	**691**	1,924
- short term finances	**10,643**	3,803
Lease finance charges	**0**	1,139
	11,334	6,866

25. SHORT TERM FINANCES

Secured	25.1	**379,054**	88,321
Unsecured	25.2	**1,492**	0
		380,546	88,321

25.1 Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.630 million (2013: Rs.630 million) and are secured against pledge of raw material stocks, first charge on current and fixed assets of the Company and personal guarantees of two directors of the Company. These facilities, during the year, carried mark-up at the rates ranging from 11.08% to 12.18% (2013: 11.31% to 13.49%) per annum. Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.300 million (2013: Rs.300 million) out of which the amount remained unutilised at the year-end was Rs.227.667 million (2013: Rs.137.675 million). These facilities are secured against lien on import documents, first charge on current and fixed assets of the Company and personal guarantees of two directors of the Company.

These facilities are available upto December 31, 2014.

25.2 These temporary bank overdrafts have arisen due to issuance of cheques for amounts in excess of balance in the bank accounts.

26. CURRENT PORTION OF NON-CURRENT LIABILITIES

Term finance certificates	18	**9,413**	9,413
Demand finances	20	**23,323**	31,036
Liabilities against assets subject to finance lease	26.1	**0**	21,516
		32,736	61,965

26.1 The outstanding balance of these lease finance facilities, rescheduled by Faysal Bank Ltd., during the financial year ended June 30, 2009, was fully repaid during the year. The interest rates on these lease finance facilities during the year ranged from 12.42% to 13.14% (2013: 12.13% to 15.03%) per annum.

27. TAXATION	Note	2014	2013
		(Rupees in thousand)	
Opening balance		10,339	0
Provision made during the year:			
-current [net of tax credit under section 65B of the Ordinance amounting Rs.10.358 million (2013: Rs.nil)]	27.2	8,916	10,339
-prior years		(445)	0
		8,471	10,339
Less: payment / adjustments made against completed assessments		9,894	0
		8,916	10,339

27.1 Income tax assessments of the Company have been completed upto Tax Year 2013 i.e. upto the accounting year ended June 30, 2013.

27.2 Provisions for the current and preceding years represent minimum tax due under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

27.3 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company has filed a writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance, which is still pending adjudication. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the financial year ended June 30, 2012 was made in the financial statements as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.23.055 million were written-back in the financial statements. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.39.712 million.

27.4 The Deputy Commissioner Inland Revenue (the Assessing Officer), for the tax year 2006, has raised tax demands under sections 161 / 205 of the Ordinance aggregating Rs.5.468 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the aforementioned order, who during the preceding year has remanded the order back to the Assessing Officer for reconsideration of payments already made by the Company.

28. CONTINGENCIES AND COMMITMENTS

28.1 Guarantees aggregating Rs.55.200 million (2013: Rs.39 million) issued by commercial banks on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. were outstanding as at June 30, 2014. Guarantee amounting Rs.50 million is secured against the securities as detailed in note 25.1 whereas guarantee amounting Rs.5.200 million is secured against term deposit receipt of the equivalent amount as stated in note 14.1. Guarantee amounting Rs.50 million is valid upto December 31, 2014 whereas guarantee amounting Rs.5.200 million is valid upto April 7, 2015.

28.2 Also refer contents of note 27.3.

28.3 Commitments against irrevocable letters of credit outstanding at the year-end were for:

	2014	2013
	(Rupees in thousand)	
- raw materials	0	93,701
- capital expenditure	0	33,624
	0	127,325

29. SALES - Net

	Note	2014	2013
		(Rupees in thousand)	
Local			
Yarn		1,937,547	2,025,566
Waste		44,233	59,860
		1,981,780	2,085,426
Less: sales tax		54,384	20,984
		1,927,396	2,064,442

30. COST OF SALES

		2014	Re-stated 2013
		(Rupees in thousand)	
Raw materials consumed	30.1	1,223,300	1,080,212
Packing materials consumed		32,112	27,434
Salaries, wages and benefits	30.2	234,960	177,307
Power and fuel		251,441	187,455
Repair and maintenance:			
- stores consumed		50,963	37,655
- expenses		9,771	6,639
		60,734	44,294
Depreciation		47,097	48,723
Insurance		4,557	5,686
		1,854,201	1,571,111
Adjustment of work-in-process			
Opening		31,777	40,401
Closing		(35,702)	(31,777)
		(3,925)	8,624
Cost of goods manufactured		1,850,276	1,579,735
Adjustment of finished goods			
Opening stock		17,082	51,569
Closing stock		(173,675)	(17,082)
		(156,593)	34,487
Cost of goods sold		1,693,683	1,614,222

		Note	2014	Re-stated 2013
			(Rupees in thousand)	
30.1	**Raw materials consumed**			
	Opening stock		299,168	246,570
	Purchases		1,322,951	1,131,858
			1,622,119	1,378,428
	Closing stock		399,795	299,168
			1,222,324	1,079,260
	Cess on cotton consumed		976	952
			1,223,300	1,080,212

30.2 These include Rs.14,411 thousand (2013: Rs.10,667 thousand) in respect of staff retirement benefits - gratuity.

31.	**DISTRIBUTION COST**			
	Freight, loading, travelling and conveyance		2,222	2,198
	Salaries and benefits	31.1	5,165	3,463
	Commission	31.2	1,527	37,083
	Others		730	255
			9,644	42,999

31.1 These include Rs.170 thousand (2013: Rs.126 thousand) in respect of staff retirement benefits - gratuity.

31.2 Due to change in sales and marketing strategy, the management has decided not to offer any commission in the market against sale contracts thereby decreasing commission expense for the current year.

32.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	32.1	44,984	35,056
	Printing and stationery		901	779
	Communication		1,149	944
	Travelling and conveyance		2,242	1,810
	Rent, rates and taxes		2,057	1,868
	Insurance		376	332
	Advertisement		69	144
	Repair and maintenance		1,419	2,123
	Vehicles' running		2,609	3,191
	Guest house expenses and entertainment		2,077	922
	Subscription		465	253
	Auditors' remuneration:			
	- statutory audit		605	500
	- half yearly review		127	110
	- consultancy charges		50	50
	- certification charges		10	10
	- out-of-pocket expenses		42	55
			834	725
	Legal and professional charges (other than Auditors)		2,762	3,253
	Depreciation		2,269	1,920
			64,213	53,320

32.1 These include Rs.2,373 thousand (2013: Rs.1,757 thousand) in respect of staff retirement benefits - gratuity.

33. OTHER EXPENSES		2014	Re-stated 2013
		(Rupees in thousand)	
Donations		30	30
Donation to Waqf-e-Kuli Khan	33.1	1,773	5,199
Workers' (profit) participation fund	23.2	5,520	15,619
Workers' welfare fund		2,098	5,935
Loss on disposal of operating fixed assets - net	6.4	13,427	0
		22,848	26,783

33.1 The amount has been donated to Waqf-e-Kuli Khan, (a Charitable Institution) administered by the following directors of the Company:

- Mr. Raza Kuli Khan Khattak
- Mr. Ahmad Kuli Khan Khattak
- Mrs. Zeb Gohar Ayub Khan
- Mrs. Shahnaz Sajjad Ahmad
- Dr. Shaheen Kuli Khan Khattak

34. OTHER INCOME	Note	2014	2013
		(Rupees in thousand)	
Income from financial assets			
Return on bank deposits		1,176	825
Amortisation of gain on forward foreign exchange contracts		144	152
Income from non-financial assets			
Salvage sales		4,074	3,315
Amortisation of restructuring cost on demand finances		63	261
Gain on sale of operating fixed assets - net		0	9
		5,457	4,562

35. FINANCE COST			
Mark-up on demand finances		4,352	14,806
Lease finance charges		930	4,039
Mark-up on short term finances		34,852	26,360
Mark-up on an Associated Company's balances		0	19
Interest on workers' (profit) participation fund	23.2	743	215
Bank charges		544	385
		41,421	45,824

36. TAXATION

		2014	Re-stated 2013
		(Rupees in thousand)	
Current			
- for the year		8,916	10,339
- for prior years		(445)	0
	27	8,471	10,339
Deferred:			
- for the year	22	19,624	72,533
- resultant adjustment due to reduction in tax rate	19	3,800	4,076
		23,424	76,609
		31,895	86,948

37. EARNINGS PER SHARE

There is no dilutive effect on earnings per share of the Company, which is based on:

	2014	2013
Profit after taxation attributable to ordinary shareholders	82,020	215,712
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	3,652,178	3,652,178
	------ Rupees ------	
Earnings per share - basic	22.46	59.06

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2014	2013	2014	2013
	---------- Rupees in thousand ----------			
Managerial remuneration	7,336	6,400	27,843	22,744
Bonus / ex-gratia	868	721	1,926	1,921
Retirement benefits	0	0	1,901	6,190
Utilities	815	687	601	145
Insurance	6	6	12	12
Medical	89	29	943	484
	9,114	7,843	33,226	31,496
No. of persons	1	1	12	8

38.1 Chief executive and three (2013: four) of the executives have been provided with Company maintained cars and residential telephones.

38.2 The Company has provided rent free accommodation to four (2013: four) of its executives in the mills' colony.

38.3 In addition to above, meeting fees of Rs.1,040 thousand (2013: Rs.780 thousand) were paid to seven (2013: seven) non-working directors during the year.

39. TRANSACTIONS WITH RELATED PARTIES

39.1 The Company's shareholders, vide a special resolution, had authorised the Chief Executive to advance loans upto Rs.5.0 million to any of the Company's Associated Companies to meet the business transactions involving payment / reimbursement of branch office / other expenses incurred on the Company's behalf.

39.2 Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.1.092 million (2013: Rs.1.072 million).

39.3 The related parties of the Company mainly comprise of associated undertakings, its directors and key management personnel. The Company in the normal course of business caries-out transactions with various related parties. Amounts due from and to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with related parties during the year were as follows:

Name	Nature of relationship	Nature of transaction	2014	2013
			--- Rupees in '000 ---	
Janana De Malucho Textile Mills Ltd.	Associated Company	Residential rent:		
		- paid	132	132
		- received	101	0
		Utilities paid	1,015	246
		Salaries paid	801	490
		Mark-up expensed	0	19
The Universal Insurance Co. Ltd.	-do-	Insurance premium	1,433	988
		Rent expensed	409	216
		Insurance claim	115	0
Waqf-e-Kuli Khan Trust	Associated Undertaking	Donation	1,773	5,199

40. CAPACITY AND PRODUCTION

		2014	2013
Number of spindles installed		53,040	53,040
Number of rotors installed		400	400
Number of shifts worked for spindles		1,095	1,095
Number of shifts worked for rotors		1,095	1,095
Number of spindles / shifts worked		56,785,418	56,381,131
Number of rotors' shifts worked		218,700	218,800
Average count spun		51.30	51.11
Rotors' capacity	Kgs	372,176	372,176
Actual production of yarn of all counts	Kgs	4,704,560	4,522,502

40.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

41.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

41.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and stores and spares denominated in U.S. Dollar and Euro. The Company's exposure to foreign currency risk is as follows:

	2014		
	Rupees	U.S.$	Euro
	----- in thousand -----		
Funded:			
Bills payable	11,133	113	0

	2013		
	Rupees	U.S.$	Euro
	----- in thousand -----		
Unfunded:			
Outstanding letters of credit	127,325	948	260

The following exchange rates have been applied:	2014	2013
U.S. $ to Rupee	98.75	98.80
Euro to Rupee	-	129.11

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2014	2013	2014	2013
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	5 to 8.3	6 & 9.2	5,333	4,203
Variable rate instruments				
Financial liabilities				
Demand finances	10.84 to 11.90	11.13 to 13.81	23,276	54,312
Liabilities against assets subject to finance lease	-	12.13 to 15.03	0	21,516
Short term finances	11.08 to 12.18	11.31 to 13.49	379,054	88,321

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2014, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.4.023 million (2013: Rs.1.641 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

41.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014	2013
	(Rupees in thousand)	
Security deposits	1,151	1,063
Trade debts	367	11,028
Due from Associated Companies	1,092	1,072
Other receivables	2,832	4,374
Bank balances	5,672	4,778
	11,114	22,315

41.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	---------- Rupees in thousand ----------			
2014				
Term finance certificates	**16,475**	**16,475**	**9,413**	**7,062**
Demand finances	**23,276**	**23,710**	**23,710**	**0**
Trade and other payables	**116,003**	**116,003**	**116,003**	**0**
Accrued interest / mark-up	**11,334**	**11,334**	**11,334**	**0**
Short term finances	**380,546**	**395,040**	**395,040**	**0**
	547,634	**562,562**	**555,500**	**7,062**

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	---------- Rupees in thousand ----------			
2013				
Term finance certificates	35,301	35,301	9,413	25,888
Demand finances	54,312	58,235	34,419	23,816
Liabilities against assets subject to finance lease	21,516	22,381	22,381	0
Trade and other payables	81,233	81,233	81,233	0
Accrued interest / mark-up	6,866	6,866	6,866	0
Short term finances	88,321	93,254	93,254	0
	287,549	297,270	247,566	49,704

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

41.5 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which are valued at their original costs less repayments.

42. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

43. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

43.1 Yarn sales represent 97.77% (2013: 97.12%) of the total sales of the Company.

43.2 All the Company's sales relate to customers in Pakistan.

43.3 All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

43.4 Two (2013: three) of the Company's customers contributed towards 49.41% (2013: 42.30%) of net sales during the year aggregating Rs.952.282 million (2013: Rs.882.097 million).

44. NUMBER OF EMPLOYEES

	2014	2013
	------ Numbers ------	
Number of persons employed as at June 30,		
- permanent	**1,224**	1,053
- contractual	**61**	52
Average number of employees during the year		
- permanent	**1,217**	1,059
- contractual	**59**	51

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2014 by the board of directors of the Company.

46. CORRESPONDING FIGURES

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (Revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

Raza Kuli Khan Khattak
Chief Executive

Ahmad Kuli Khan Khattak
Director

FORM OF PROXY

I/We_____
of _____being a member of Babri Cotton Mills Limited, holder of_____ Ordinary Shares as per Share Register Folio No._____and/or CDC Participant I.D. No._____and Sub Account No._____hereby appoint_____of_____or failing him/her _____of_____member(s) of the Company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the44th Annual General Meeting of the Company to be held on 27th October, 2014 at 12:00 p.m. at registered office of the company at Habibabad, Kohat and at any adjournment thereof.

As witness my hand this.....day of..... 2014

Witnesses:

Signature

1. Signature: _____
   Name: _____
   Address: _____
   _____
   _____
   NIC or
   Passport No: _____

Please affix five rupees revenue stamp

2. Signature: _____
   Name: _____
   Address: _____
   _____
   _____
   NIC or
   Passport No: _____

Signature should agree with the specimen signature registered with the Company

Note: Proxies in order to be effective must be received by the company not less than 48 hours before the meeting. No person shall be appointed a proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint proxy as a person who is not a member.

Individual CDC account holders and their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company. Corporate entities shall submit attested photocopy of the Board of Directors' Resolution/Power of Attorney containing specimen signature of the nominee along with proxy form to the Company. The proxy shall produce his/her original NIC or original passport at the time of the meeting.