47th
Annual Report 2017

BIBOJEE GROUP

BABRI
COTTON MILLS LIMITED

بسم الله الرحمن الرحيم

CONTENTS

COMPANY'S PROFILE

BOARD OF DIRECTORS	Mr. Raza Kuli Khan Khattak Chief Executive Lt.Gen. (Retd.) Ali Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mr. Gohar Ayub Khan Mrs. Shahnaz Sajjad Ahmad- Chair person Mr.Sikandar Kuli Khan Khattak Major (Retd.) Muhammad Zia Mr. Saad Waheed Dr. Hamid Zeb Khan	
AUDIT COMMITTEE	Lt.Gen. (Retd.) Ali Kuli Khan Khattak	Chairman
	Mr. Ahmed Kuli Khan Khattak	Member
	Mr. Gohar Ayub Khan	Member
	Mr. Saad Waheed	Member
HUMAN RESOURCE	Lt.Gen. (Retd.) Ali Kuli Khan Khattak	Chairman
AND REMUNERATION COMMITTEE	Mr. Raza Kuli Khan Khattak	Member
	Mr. Ahmed Kuli Khan Khattak	Member
	Mr. Saad Waheed	Member
COMPANY SECRETARY	Mr. Noor-un-Nabi ACA, APA	
CHIEF FINANCIAL OFFICER	Mr. Noor-un-Nabi ACA, APA	
INTERNAL AUDITOR	Mr. Nasir Ali Khan ACCA, APA	
AUDITORS	M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants	
SHARE REGISTRARS	Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Tel : (021) 32424826, 32412754 Fax: (021) 32424835	
BANKERS	National Bank of Pakistan Saudi Pak Industrial and Agricultural Investment Co. Ltd.	
Legal Adviser	M/s Hassan & Hassan, Advocate Paaf building, 1-D Kashmir/Egerton road Lahore	
Tax Consultant	M. Nawaz Khan & Co. Ground Floor, Farrah centre, 2-Mozang road, Lahore	
REGISTERED OFFICE & MILLS	Habibabad, Kohat Tel : (0922) 862285 - 862284 Fax : (0922) 862283 Website : www.bcm.com.pk E-mail : info@bcm.com.pk	

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 47th Annual General Meeting of the Company will be held on Monday 27 November, 2017 at 11.00 a.m at its registered office Habibabad, Kohat to transact the following business:

A. ORDINARY BUSINESS:

1. To confirm minutes of the Extra Ordinary General Meeting held on March 30, 2017.

2. To receive, consider and adopt the annual audited Financial Statements of the Company for the year ended June 30, 2017 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditors for the financial year 2017, 2018 and fix their remuneration. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s. ShineWing Hameed Chaudhri & Co., Chartered Accountants, Lahore. The retiring Auditors being eligible have offered themselves for re-appointment.

4. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS:

5. To consider passing of the following ordinary resolutions as directed by the SECP vide its S.R.O 470 (I) 2016 dated May 31, 2016 to transmit the Annual Financial Statements to members of the company through CD/DVD/USB instead of hard copies thereof.

   "**RESOLVED** that transmission/circulation of the annual Financial Statements, Directors and, auditors' reports of the company, to its members through CD/DVD/USB instead of hard copies at their registered addresses as per requirements of Notification No.SRO 470 dated May 31, 2016 issued by the SECP be and is hereby approved

   FURTHER RESOLVED that the standard Request Form shall be posted on the Company's website for the purpose of requisitioning by any member, hard copies of the said Financial Statements.

   FURTHER RESOLVED that Chief Executive Officer or Company Secretary (any one of them) be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution".

6. To consider and, if thought fit to pass the following resolutionsas Special Resolution to amend the Articles of Association of the Company, with or Without modification in order to enable to arrange for the e-voting mechanism for the members of the Company:

7. **"RESOLVED THAT** pursuant to Section 38 and other applicable provisions, if any, of the Companies Act, 2017, the Articles of Association of the Company be and are hereby amended by inserting a new Article 75A immediately after the existing Article 75 to read as under;

8. **75A ELECTRONIC VOTING:** The Company shall comply with the mandatory e-voting requirements as may be prescribed by the Securities and Exchange Commission of Pakistan from time to time and members may be allowed to appoint members as well as non-members as proxies for the purposes of electronic voting only pursuant to this Article.

9. **FURTHER RESOLVED** that the Chief Executive or Company Secretary (any one of them) be and is hereby authorized to complete all necessary legal and corporate formalities with regard to the above resolutions and take such actions as he may consider necessary or expedient to complete the process. Further resolved that in case of any omission or mistake if pointed out by the SECP or any other competent authority in the aforesaid resolution, the company Secretary be and is hereby authorized to make necessary corrections as permitted under the law."

Kohat
Dated: October 30, 2017

Noor-un-Nabi
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from November 21, 2017 to November 27, 2017 (both days inclusive). The shares received in the Company's shares Registrar's office namely Hameed Majeed Associates (Pvt) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, before close of business hours on November 20, 2017 will be considered in order for registration in the name of the transferees.

2. The Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831(I)/2012 dated July 5, 2012 and SRO 19 (I)/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the Computerized National Identity Card Number (CNIC) of the registered member or authorized person, except in the case of minor(s) and corporate members. Therefore members or their authorized representatives who have not yet provided an attested copy of their valid CNICs to the Company / Share Registrar are requested to provide the same at their earliest to avoid any inconvenience.

3. Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio numbers.

4. A member entitled to attend and vote at this meeting shall be entitled to appoint any other member as his/her proxy to attend and vote in respect of him/her and the proxy instrument shall be received by the Company not later than 48 hours before the date of the meeting.

5. 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.

6. 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.

7. Pursuant to SECP's Circular No.10 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video-link at least 10 days prior to date of meeting, the Company will arrange video-link facility in the city subject to availability of such facility in that city. In this regard, please fill the following form and submit to registered address of the Company 7 days before holding of the Annual General Meeting:-
   I/We, ______________________ of ___________________ holder of ________ Ordinary shares as per Register Folio No. ________ hereby opt for video conference facility at ______________. __________________ Signature of member

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of the Company are pleased to present 47th annual report of your company together with audited financial statements and auditors' report thereon for the year ended June 30, 2017. The directors' report, prepared under section 236 of the Companies Ordinance, 1984 and clause 5.19 of the Pakistan Stock Exchange rule book regulations will be put forward to members at the 47th annual general meeting of the company to be held on 27th November, 2017. Figures for the previous year ended June 30, 2016 are included for comparison.

General Overview

Pakistan textile industry has been facing significant economic, political and governance issues & challenges in achieving desired GDP growth and export targets. Textile sector had been passing through its most difficult periods in terms of financial and operational viabilities and more than 100 spinning units have been forced to permanent closure, during last nine months, due to these challenges. Due to decline in yarn exports, abundant supply of locally manufactured yarn is available in local market, more augmented by Indian low-cost yarn imports, leading toward drastic decline in yarn prices.

Major challenges being faced by this sector were higher power generation and labor costs as compared to neighboring countries. Despite of RLNG availability by the government for 24 hours power generation, still these costs are comparatively higher, further being augmented with dollar parity risk of devaluation in Pak rupee currency. Minimum wage has also been on increasing trend. Workforce in number is now become inevitable, to be decreased through possible automation in machinery setups, which will add further debt and financial charge burden. Textile package of Rs.180 billion, announced for the industry was not helpful due to its insufficiencies and inadequate modalities like pendency in release of sales tax refunds. Now APTMA is seeking another relief package for survival of this industry.

Financial Results

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

	Year ended June 30,	
	2017	2016
	(Rupees in thousands)	
Sales	**1,649,638**	1,444,247
Gross Profit/(Loss)	**55,098**	31,481
Operating (Loss)	**(22,863)**	(23,351)
Finance Cost	**(24,656)**	(27,418)
(Loss) before Taxation	**(48,121)**	(49,850)
(Loss) after Taxation	**(29,601)**	(12,472)
	----------Rupees----------	
(Loss) per share	**(8.11)**	(3.41)

The current fiscal year has not been good, in terms of profitability, for the textile industry as a whole. During the current financial year, the turnover of the company has risen by Rs.205.391 million (14%). Gross profit has risen by Rs.23.617 million (1.2% of sales). Loss before taxation has almost been the same as previous financial year despite higher sales and gross margins, due to escalated distribution and administrative expenses. We are strongly focused and fully committed to reduce these expenses through cost-cutting measures at each level.

In order to minimize the losses, we are in process of making major changes in our spin plan, which was previously based on fine count range. We have inducted new professionals in our marketing team, and putting significant efforts for continuous research & development. We are hopeful that these measures will lead our raw material costs to reasonable low level, making gross margins better in months to come. We are also in process of exploring different markets for our finished products, making less reliance on Faisalabad sector only. The management of the company is fully aware of the present challenges prevailing in the textile industry and is hopeful that its efforts will be successful. The board of directors is cognizant of these facts and strives to take all necessary steps to protect the interests of its stakeholders.
The company has also accounted for its share of loss of Janana De Malucho Textile Mills Limited (an Associated Company) amounting Rs.0.602 million during the current year as against profit of Rs.0.919 million in 2016.

Status of Financial Facilities

A finance lease of Rs.63.00 million was obtained from Saudi Pak Industrial and Agricultural Investment Company limited for lease of one generator and four machines. Rs.19.228 million (Rs: 17.334 million in 2016) against subject to finance lease has been paid during the year without any default.

The company has fulfilled all its financial commitments during the year under review and subsequently as well. The financial position of the company is fine, subject to the GIDC decision by Government, as reflected by the current, debt/equity ratios and break-up value of its share.

Future Prospects

Though the prevailing environments are not favorable but even then the management is putting its best efforts for substantial reduction in our input costs, thereby improving the gross margins and contributing towards positive bottom line results.

We have made an investment to upgrade our machinery by installing compact devices on some of our ring frames, which will lead to better quality and enhancement of existing yarn production.

Many challenges are being faced by the company and industry, in shape of GIDC imposition, escalation in labor costs and liquidity crunch due to blockage of sales tax refunds. Despite these problems, our company has great potential for improvement due to its lower debt structure and comparatively lower conversion costs. The management is hopeful that through cost-reduction plans in both production and service departments, we will be able to sail through this catastrophic period and improve our financial position in upcoming months.

Appropriation of dividend

Keeping in view the financial commitments and due to losses incurred the company is not able to pay any dividends to its shareholders.

Contribution of Our Company towards Government and Social Sector

We would like to give here under our company's revenue contribution toward the government sector, bank and social sector during the year ended 30-06-2017.

1.	**Government Sector**		**Rs. In Million**
	(i)	Income	14.252
	(ii)	Power & Fuel	199.933
	(iii)	Financial institution/Banks	24.656
2.	**Social Sector**		
	Employees/Workers salaries/Wages and other benefits		318.463

We are also providing employment to 1201 permanent workers 1201 families with an average 5 family members (in the most affected area of KPK province) the employment cost of which will now be about Rs.323 million.

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 Pakistan Stock Exchange 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 Pakistan Stock Exchange 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 seven years is annexed.
h) Pattern of share holdings of the company as at June 30, 2017 is also annexed.
I) No trade in shares of the company was carried out by its 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 four members each.

Board meetings and attendance by each director

During the year six 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
Lt. Gen (Retd.) Ali Kuli Khan Khattak	2
Mr. Ahmed Kuli Khan Khattak	6
Mr. Gohar Ayub Khan	6
Mrs. Shahnaz Sajjad Ahmed	6
Dr. Shaheen Kuli Khan Khattak	1
Mr. Sikandar Kuli Khan Khattak	2
Mr. Muhammad Ayub	4
Dr. Hamid Zeb Khan	4
Mr. Saad Waheed	1
Maj. (Retd.) Muhammad Zia	2

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

Key Operating and Financial Data (Seven Years Summary)

Pattern of Shareholding

The statement of pattern of shareholding of the company as at June 30, 2017 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 Shinewing Hameed Chaudhri & Co., Chartered Accountants H.M House 7-bank square Lahore, retire and are eligible, to 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

Raza Kuli Khan Khattak

Dated: 30 October, 2017 **Chief Executive Officer**

ڈائریکٹرز رپورٹ برائے حصص داران

کمپنی کے ڈائریکٹرز ۴۷ویں سالانہ رپورٹ 30 جون 2017 کو ختم ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ مالیاتی نتائج بمع ان سے متعلق آڈیٹرز رپورٹس پیش کرنے پر خوشی محسوس کر رہے ہیں۔ڈائریکٹرز کی یہ رپورٹ کمپنی آرڈیننس 1984 کی شق دفعہ 236اور پاکستان سٹاک ایکسچینج کے ضابطہ کار کوڈ (5.19) کے تحت اراکین کو ۴۷ویں سالانہ میٹنگ پر پیش کی جائے گی جو کہ اکتوبر 2017 کو منعقد ہوگی۔سابقہ ختم ہونے والے سال 30 جون 2016 کے عداد وشمار بھی اس میں شامل ہیں۔

عمومی جائزہ:

پاکستان ٹیکسٹائل انڈسٹری کو اہم GDP کی ترقی اور برآمد کے اہداف کو حاصل کرنے میں اہم اقتصادی، سیاسی اور حکومتی چیلنجز کا سامنا کرنا پڑا۔ٹیکسٹائل سیکٹر مالی اور عملی وابستہ صلاحیتوں کے لحاظ سے اپنے سب سے مشکل دور سے گزر رہا تھا۔اوران چیلنجوں کی وجہ سے گزشتہ نو ماہ کے دوران سو سے زائد یونٹس مستقل بندش کا شکار ہوگئے ہیں۔دھاگے کی قیمتوں میں کمی کی بنیادی وجہ برآمدات میں کمی اور مقامی طور پر تیار شُدہ دھاگے کی مارکیٹ میں کثیر تعداد میں دستیابی ہے۔جس میں زیادہ سے زیادہ بھارتی کم لاگت دھاگے کی درآمدات میں اضافہ ہے۔

اس شعبے کو مختلف چیلنجز کا سامنا کرنے کی ایک بڑی وجہ پڑوسی مما لک کے مقابلے میں بجلی اور مزدور کی زائد لاگت تھی۔چوبیس گھنٹے کی بجلی پیدا کرنے کے لئے حکومت کی طرف سے RLNG کی دستیابی کے باوجود، اب بھی یہ اخراجات نسبتاً زیادہ ہیں، پاکستانی روپے کی شرح میں کمی سے ڈالر کی قیمت میں اضافہ ہوا ہے۔کم از کم اجرت میں بھی اضافہ ہوا ہے۔مشینری سیٹ اپ میں ممکنہ آٹومیشن سے افرادی قوت میں کمی اب ناگزیر ہوگئی ہے۔جو مزید قرض اور مالی چارج کا بوجھ پیدا کرے گی۔صنعت کے لئے اعلان کردہ 180 بلین روپے کا صنعتی پیکج ناکامی اور ناکافی ہونے کے سبب سیلز ٹیکس ریفنڈ کو بازیاب کرنے کے لئے مددگار نہیں تھا۔اب APTMA اس صنعت کی بقا کے لئے ایک اور امدادی پیکج تلاش کر رہا ہے۔

مالیاتی نتائج:

موجودہ سال کے مالی نتائج بمقابلہ سابقہ سال حسب ذیل ہیں

	30-06-2017	30-06-2016
	روپے ہزاروں میں	
خالص فروخت	**1,649,638**	1,444,247
مجموعی منافع (خسارہ)	**55,098**	31,481
خسارہ	**(22,863)**	(23,351)
مالی لاگت	**(24,656)**	(27,418)
ٹیکس سے پہلے خسارہ	**(48,121)**	(49,850)
ٹیکس کے بعد خسارہ	**(29,601)**	(12,472)
خسارہ فی حصص	**(8.11)**	(3.41)

موجودہ سال مجموعی طور پر ٹیکسٹائل کی صنعت کے لیے مشکل ترین رہا۔موجودہ مالی سال کے دوران، کمپنی کے کاروبار میں 205.391 ملین روپے یعنی (14 فیصد) بڑھ گیا ہے۔مجموعی منافع 23.617 ملین روپے یعنی (فروخت کا 1.2 فیصد) بڑھ گیا ہے۔بڑھتی ہوئی تقسیم اور انتظامی اخراجات کے سبب زائد فروخت اور مجموعی مارجن کے باوجود ٹیکس سے قبل گزشتہ مالی سال کے مقابلے میں نقصان یکساں ہے۔ہم ہر سطح پر کم لاگتی اقدامات کے ذریعے ان اخراجات کو کم کرنے کے لئے سخت عزائم رکھتے ہیں۔

نقصانات کو کم کرنے کے لئے ہم اپنے پیداواری منصوبے میں ترامیم کر رہے ہیں، جو کہ گزشتہ Fine Range Count پر مبنی تھا۔ہم نے نئے پیشہ ور افراد کو مارکیٹنگ ٹیم میں شامل کیا ہے۔اور مسلسل تحقیق اور ترقی کے لئے اہم کوششیں کر رہے ہیں۔ہمیں اُمید ہے کہ یہ اقدامات ہمارے خام مال کی قیمتوں کو مناسب سطح پر لے جائیں گے، جو مجموعی مارجن کو آنے والے مہینوں میں بہتر کردے گی۔ہم اپنے تیار کردہ مصنوعات کے لئے صرف فیصل آباد سیکٹر پر انحصار کرنے کی بجائے مزید مختلف مارکیٹوں کا جائزہ لے رہے ہیں۔کمپنی کی انتظامیہ ٹیکسٹائل انڈسٹری میں موجود چیلنجوں سے باخوبی آگاہ ہے اور اُمید ہے کہ یہ اپنی کوششوں میں ضرور کامیاب ہوگی۔بورڈ کے ڈائریکٹران ان حقائق سے واقف ہیں اور اس کے حصول کے مفادات کی حفاظت کے لئے تمام ضروری اقدامات کر رہی ہے۔کمپنی نے جنانا دی مالوچو ٹیکسٹائل ملز لمیٹڈ نے موجودہ سال کے دوران 0.602 روپے مالیت کا نقصان کا حساب بھی دیا ہے جو گزشتہ سال 2016 میں 0.919 روپے کا منافع تھا۔

مالیاتی سہولتوں کی حیثیت:

سعودی پاک انڈسٹریل اینڈ ایگریکلچرل انویسٹمنٹ کمپنی لیمیٹڈ کی 63.00 ملین روپے لیز معاونت سے ایک عدد جنریٹر اور چار عدد مشینیں خریدی گئیں ہیں۔جس کی مالیت 19.228 ملین روپے ہے۔جس میں سے 17.335 ملین روپے 2016 میں بغیر کسی ڈیفالٹ کے ادا کیے گئے۔کمپنی نے موجودہ سال کے دوران تمام مالیاتی ذمہ داریوں کو بھرپور طریقے سے ادا کیا۔کمپنی

کی مالی حیثیت مستحکم ہے۔

مستقبل کا نقطہ نظر:

اگر چہ موجودہ ماحول سازگار نہیں لیکن پھر بھی انتظامیہ کمپنی اور سٹیک ہولڈرز کے فائدے کو مدِنظر رکھتے ہوئے مثبت اور دیرپا نتائج حاصل کرنے کے لیے کوشاں ہے۔جس سے مجموعی مارجن کو بہتر بنانے میں اور مثبت نتائج حاصل کرنے میں مدد ملے گی۔

ہم نے اپنی مشینری کو اپ گریڈ کرنے کے لئے Ring Frames پر compact آلات نصب پر بھی سرمایہ کاری کی ہے، جو موجودہ دھاگہ کی پیداوار بڑھانے اور بہتر معیار حاصل کا باعث بن سکے گی۔

GIDC کی نفاذ کی شکل میں، سیلز ٹیکس کی واپسی میں کمی سے مزدور کے اخراجات اور لیکویڈیٹی بحران سے کمپنی اور صنعت کو بہت چیلنجز کا سامنا کرنا پڑا ہے۔ان مسائل کے باوجو ہماری کمپنی کو قرضوں اور اخراجات میں نمایاں کمی لانے کی بہت بڑی صلاحیت موجود ہے۔انتظامیہ کو اُمید ہے دونوں پیداواری اور سروس کے محکموں میں لاگت میں کمی کی منصوبہ بندی کے ذریعے ہم آئندہ مہینوں میں اپنی مالی پوزیشن کو بہتر بنانے کے قابل ہو جائیں گے۔

ڈیویڈینڈ کی ادائیگی:

مالی وعدوں کو مدنظر رکھتے ہوئے نقصانات کی وجہ سے کمپنی حصص داران کو کسی بھی منافع کی ادائیگی نہیں کر سکتی ہے۔

سرکاری اور سماجی شعبہ میں کمپنی کا کردار:

کمپنی نے موجودہ سال 30 جون، 2017 کو سرکاری شعبہ، بینک اور سماجی شعبہ میں مندرجہ ذیل ادائیگی کی ہے۔

		روپے ملین میں
1)	سرکاری شعبہ انکم / سیلز ٹیکس	14.252
	(ii بجلی و گیس	199.933
	(iii مالیاتی ادارے / بینک	24.656
2)	سماجی شعبہ	
	ملازمین / مزدور کی اجرت اور دیگر مراعات	318.463

ہم 1201 مستقل ملازمین (1201 خاندان جو کہ اوسطاً 5 افراد پر مشتمل ہے) کو روزگار بھی فراہم کر رہے ہیں۔جن کا تعلق انتہائی متاثرہ صوبہ خیبر پختونخواہ سے ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

بورڈ باقاعدگی سے کمپنی کی سٹریٹیجک سمت کا جائزہ لینے اور سالانہ منصوبہ بندی کرنے کے لیے اہداف کی کارگردگی کا تعین کرتا رہتا ہے۔یہ معلوم کرنے کے لیے اہداف کو باقاعدہ چیک کیا جاتا ہے کہ انتظامیہ نے ان کو کس حد اس کو حاصل کرنے میں کامیاب ہوئی ہے۔بورڈ آف ڈائریکٹرز تمام حصص داران کو یقین دلاتا ہے کہ کمپنی جو پاکستان سٹاک ایکسچینج لمیٹڈ کی طرف سے لاگو شُدہ ضابطہ کار کے تحت اپنی خدمات پیش کر رہا ہے۔بورڈ مندرجہ ذیل امور کو بھی مدِنظر رکھتا ہے۔

(ا پاکستان سٹاک ایکسچینج لمیٹڈ کے ضابطہ کار میں درج تمام اقدامات کے مطابق کارپوریٹ گورننس کو بہتر بنایا جائے گا۔

(2 انتظامیہ کی طرف سے تیار کردہ مالیاتی رپورٹ کے مطابق Cash Flow اور Change in Equity سے واضح طور پر ظاہر ہوتی ہے۔وغیرہ۔

(3 مناسب اکاؤنٹنگ پالیسی کے تحت یہ مالیاتی رپورٹس اور نتائج دانشمندانہ فیصلوں پر مبنی ہیں۔

(4 ان مالیاتی رپورٹس کی تیاری اور اس کے ترسیلی اقدامات کو انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ کے تحت بنایا گیا ہے۔جو پاکستان میں لاگو ہے۔

(5 کمپنی کا انٹرنل کنٹرول سسٹم مضبوط بنیادوں پر استوار ہے اور مناسب طور پر اس پر عمل کیا جاتا ہے۔

(6 کمپنی کے موجودہ صلاحیتوں پر کوئی شکوک وشبہات نہیں ہے۔

(7 گزشتہ سال کا مالیاتی ڈیٹا اور اہم اقدامات کی تفصیل درج ہے۔

(8 کمپنی کی شیئر ہولڈنگ 30 جون، 2017 کی تمام تفصیلات منسلک ہیں۔

(9 موجودہ سال کمپنی کی حصص میں کسی ڈائریکٹرز یا چیف فنانس آفیسر اور کمپنی سیکرٹری وغیرہ نے کسی قسم کی کوئی تجارتی سرگرمی نہیں کی۔

(10 کوڈ آف کارپوریٹ گورننس کے تحت بورڈ نے آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ریمونریشن کمیٹی قائم کی ہے جو چار ممبرز پر مشتمل ہے۔

بورڈ میٹنگ اور ہر ڈائریکٹرز کی حاضری

موجودہ سال چھ بورڈ میٹنگز ہوئیں۔ مندرجہ ذیل ڈائریکٹرز نے میٹنگ میں شرکت کی۔

نمبر شمار	ڈائریکٹرز کے نام	میٹنگ میں شرکت کی تعداد
1	جناب رضا قُلی خان خٹک صاحب	6
2	لیفٹیننٹ جنرل (ر) علی قُلی خان خٹک صاحب	2
3	جناب احمد قُلی خان خٹک صاحب	6
4	جناب گوہر ایوب خان صاحب	6
5	مسز شہناز سجاد احمد صاحبہ	6
6	ڈاکٹر شاہین قُلی خان خٹک صاحبہ	1
7	جناب سکندر قُلی خان خٹک صاحب	2
8	جناب محمد ایوب صاحب	4
9	جناب ڈاکٹر حامد زیب خان صاحب	4
10	جناب سعد وحید صاحب	1
11	میجر (ر) محمد ضیاء	2

میٹنگ میں غیر حاضری کی بناء پر ڈائریکٹرز کو چھٹی مُہیا کی گئی جو کسی وجہ سے میٹنگ میں شرکت نہ کر سکے۔

اہم مالیاتی ڈیٹا برائے سات سال منسلک ہے:

شیئر ہولڈنگ کا طریقہ کار:

30 جون، 2017 کو شیئر ہولڈنگ کے طریقہ کار کی سٹیٹمنٹ منسلک کی گئی۔ یہ سٹیٹمنٹ کارپوریٹ گورننس کے کوڈ کے تحت کمپنی آرڈیننس 1984 اور ترمیم شُدہ آرڈیننس 2002 کے مطابق ہے۔

آڈیٹرز کی تقرری:

کمپنی کے موجودہ آڈیٹرز شائن ونگ حمید چوہدری اور کمپنی چارٹرڈ اکاؤنٹنٹس ایچ، ایم ہاؤس 7 بینک سکوئر لاہور ریٹائر ہو رہے ہیں اور کمپنی کی خدمات کے لیے دوبارہ اپنے آپ کو تقرری کے لیے اہل سمجھتے ہیں۔ بورڈ اور بورڈ آڈٹ کمیٹی نے اگلے سالانہ جنرل میٹنگ کے نتائج آنے تک ریٹائرڈ آڈیٹرز کی دوبارہ تقرری کی سفارش کی ہے۔

اعتراف:

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

مورخہ: 30 اکتوبر 2017ء

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

Raza K. Khattak

رضا قلی خان خٹک

چیف ایگزیکٹیو

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

		2011	2012	2013	2014	2015	2016	**2017**
CAPACITY AND PRODUCTION								
Spindles installed	Nos	53,040	53,040	53,040	53,040	53,040	53,040	**53,040**
Average spindles worked during the year	Nos	51,314	52,103	51,690	51,905	50,777	49,598	**49,566**
Production for the year/period	Lbs in million	8.735	9.341	9.970	10.372	10.447	8.995	**9.418**
Average count spun during the year/period		56.57	53.66	51.11	51.30	49.08	56.38	**54.51**
PROFIT AND LOSS ACCOUNT								
Net Sales	Rupees in million	1,705.170	1,663.021	2,064.442	1,927.396	1,757.969	1,444.247	**1,649.638**
Gross Profit / (Loss)	Rupees in million	199.633	177.873	450.017	233.713	(6.285)	31.481	**55.098**
	%	11.71	10.69	21.80	12.13	(0.36)	2.18	**3.34**
Operating Profit / (Loss)	Rupees in million	143.820	115.641	331.442	142.465	(76.329)	(23.351)	**(22.863)**
	%	8.43	6.95	16.05	7.39	(4.34)	(1.62)	**(1.39)**
Profit / (Loss) before taxation	Rupees in million	131.960	61.963	302.336	113.915	(123.803)	(49.850)	**(48.121)**
	%	7.74	3.72	14.64	5.91	(7.04)	**(3.45)**	**(2.92)**
Profit / (Loss) after taxation	Rupees in million	122.571	88.036	215.388	82.020	(84.199)	(12.472)	**(29.601)**
	%	7.19	5.29	10.43	4.26	(4.79)	(0.86)	(1.79)
Earming/ (loss) per share-restated	Rupees	35.24	24.11	58.98	22.46	(23.43)	(3.41)	**(8.11)**
BALANCE SHEET								
Shareholders' equity (excluding surplus on revaluation of fixed assets	Rupees in million	265.191	359.854	591.066	673.113	607.039	607.389	**601.958**
Term finance certificates	- do-	56.481	44.714	35.301	16.474	-	-	**-**
Demand finances/ bills payable	- do-	214.467	183.368	54.422	23.323	-	-	**-**
Liabilties against assets subject to finance lease	- do-	59.401	43.032	21.516	-	50.386	33.052	**13.824**
Operating fixed assets	- do-	1,035.313	1,344.558	1,305.295	1,374.837	1,350.262	1,557.748	**1,522.610**
Additions in fixed assets	- do-	70.369	49.024	12.204	120.706	37.328	49.038	**24.319**
Current assets	- do-	434.382	391.668	437.584	698.576	407.179	457.202	**723.756**
Current liabilties	- do-	436.013	329.883	299.397	571.684	346.710	467.423	**771.525**
Others								
Break up value per share	Rupees	72.61	98.53	161.84	184.31	166.21	166.31	**164.53**
Employees at year end	Nos.	1,078	965	1,110	1,285	1,238	1,190	**1,201**

Pattern of Shareholding As At June 30, 2017

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1,018	1	100	25,014	0.68
370	101	500	85,443	2.34
84	501	1,000	59,738	1.64
80	1,001	5,000	161,268	4.42
15	5,001	10,000	92,693	2.54
5	10,001	15,000	66,652	1.82
3	15,001	20,000	55,365	1.52
2	20,001	25,000	45,452	1.24
1	40,001	45,000	40,576	1.11
1	55,001	60,000	57,638	1.58
1	80,001	85,000	80,578	2.21
1	140,001	145,000	144,421	3.95
1	585,001	590,000	587,493	16.09
1	870,001	875,000	872,600	23.89
1	1,275,001	1,280,000	1,277,247	34.97
1,584			**3,652,178**	**100.00**

* Note: There is no shareholding in the slab not mentioned

Categories of Shareholders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouses and minor children	48,705	1.33
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	3,089	0.08
Insurance Companies	57	0.00
Modarabas & Mutual Funds	1,150	0.03
General Public (Local)	1,424,496	39.00
Other Companies	24,092	0.66
Administrator Abandoned Properties	1,728	0.05
	3,652,178	**100.00**

Noor-un-Nabi
Company Secretary

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2017

SR #	CATEGORIES OF SHAREHOLDERS		SHARES HELD	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
	Lt.Gen. (Retd.) Ali Kuli Khan Khattak	(Director)	12,832	0.351
	Dr. Hamid Zeb	(Director)	918	0.025
	Mrs. Shahnaz Sajjad Ahmad	(Chairperson)	6,992	0.191
	Mr. Sikandar Kuli Khan Khattak	(Director)	-	-
	Mr. Gohar Ayub Khan	(Director)	-	-
	Major (Retd.) Muhammad Zia	(Director)	-	-
	Mr. Saad Waheed	(Director)	-	-
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**		3,089	0.085
5	**Insurance Companies**			
	The New Jubilee Insurance Co Ltd		57	0.002
6	**Modarabas & Mutual Funds**			
	First UDL Modaraba		1,150	0.031
7	**General Public (Local)**		1,424,496	39.004
8	**Others Companies**		24,092	0.66
9	**Administrator Abandoned Properties**		1,728	0.047
			3,652,178	**100.00**
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
	Mr. Sameer Randhawa		872,600	23.893

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June, 2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the regulation number 5.19 of the rule book of Pakistan Stock Exchange Limited (PSX) 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
Executive Directors	Mr. Raza Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak
Non-Executive Directors	Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mr. Gohar Ayub Khan Mrs. Shahnaz Sajjad Ahmed Major (Retd.) Muhammad Zia Mr. Saad Waheed Dr. Hamid Zeb Khan

2. During the previous elections of directors, none of the directors possessed criteria for an independent director. Further, no independent shareholder came forward to contest the election as a director. Hence the shareholders of the company were unable to elect/appoint an independent director. The company's management, however, is fully committed and planning to appoint an independent director in the foreseeable future, so that due representation could be made in the audit committee as well as other committees of the board to comply with the requirements of the code of corporate governance (CCG).

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 during the year in board of directors of the company.
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 a new appointment of CFO/ Company Secretary during the year. The board also approved the re-appointment of existing Head of Internal Audit during the current financial year. Both of these appointments were made as per qualification eligibility criteria determined in clauses 5.19.9 (a) and 5.19.9 (b) respectively, of the Code of Corporate Governance. Further, their remunerations, terms and conditions of employment were duly approved.

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 the requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, all are non-executive directors including the chairman of committee.
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 four members, of whom three are non-executive directors including chairman of the committee, and one is executive director.
18. The board has set up an effective internal audit function and the employees working therein are considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
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 the company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from said list.
24. 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.

Kohat
Dated: October 30, 2017

Raza Kuli Khan

(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, 2017 to comply with the requirements of Rule 5.19.24 (b) of the Rule Book of the Pakistan Stock Exchange Limited 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 of 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, except for the non-compliances with the requirements of the Code highlighted below, 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, 2017.

- Board of Directors of the Company was unable to appoint an independent director due to the reasons stated in paragraph 2 of the Statement of Compliance with the Code of Corporate Governance; resultantly, Chairman of the Board Audit Committee was not an independent Director and the Board and Human Resource & Remuneration Committee did not include an independent Director; and

- The post for the Company's CFO was filled on December 01, 2016; the SECP, however, had allowed the Company to fill this post by September 30, 2016.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

LAHORE: October 30, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BABRI COTTON MILLS LIMITED** (the Company) as at June 30, 2017 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 repealed 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 repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (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 repealed 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, 2017 and of the loss, 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).

Emphasis of matter

We draw attention to note 25.1 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.292.622 million. Our report is not qualified in respect of this matter.

LAHORE: October 30, 2017

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017	2016
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,522,610	1,557,748
Investments in an Associated Company	6	75,526	74,873
Long term loans	7	603	477
Security deposits		1,033	1,033
		1,599,772	1,634,131
Current assets			
Stores, spares and loose tools	8	26,051	17,196
Stock-in-trade	9	614,915	379,057
Trade debts	10	285	108
Loans and advances	11	5,052	6,177
Prepayments		913	891
Other receivables	12	4,916	2,417
Sales tax refundable		25,599	10,614
Income tax refundable, advance tax and tax deducted at source		45,548	40,199
Cash and bank balances	13	477	543
		723,756	457,202
TOTAL ASSETS		2,323,528	2,091,333
EQUITY AND LIABILITIES			
Equity			
Authorized capital	14	250,000	250,000
Issued, subscribed and paid-up capital	15	36,522	36,522
Reserves	16	105,451	105,567
Unappropriated profit		459,985	465,300
Shareholders' equity		601,958	607,389
Surplus on revaluation of property, plant and equipment	17	752,058	763,234
Deferred income	18.3	2,100	5,698
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance lease	18	0	13,841
Staff retirement benefits - gratuity	19	69,140	73,104
Deferred taxation	20	126,747	160,644
		195,887	247,589
Current liabilities			
Trade and other payables	21	173,661	134,935
Accrued interest / mark-up	22	8,792	6,143
Short term finances	23	561,030	296,903
Current portion of liabilities against assets subject to finance lease	18	13,824	19,211
Taxation	24	14,218	10,231
		771,525	467,423
Total liabilities		967,412	715,012
Contingencies and commitments	25		
TOTAL EQUITY AND LIABILITIES		2,323,528	2,091,333

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

Raza Kuli Khan Khattak	Noor-un-Nabi (ACA, APA)	Sikandar Kuli Khan Khattak
Chief Executive	Chief Financial Officer	Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in thousand)	
Sales	26	**1,649,638**	1,444,247
Cost of Sales	27	**1,594,540**	1,412,766
Gross Profit		**55,098**	31,481
Distribution Cost	28	**12,366**	8,359
Administrative Expenses	29	**71,340**	61,956
Other Expenses		**0**	299
Other Income	30	**(5,745)**	(15,782)
		77,961	54,832
Loss from Operations		**(22,863)**	(23,351)
Finance Cost	31	**24,656**	27,418
		(47,519)	(50,769)
Share of (Loss) / Profit of an Associated Company	6	**(602)**	919
Loss before Taxation		**(48,121)**	(49,850)
Taxation	32	**(18,520)**	(37,378)
Loss after Taxation		**(29,601)**	(12,472)
Other Comprehensive Income / (Loss)			
Items that will not be reclassified to profit or loss:			
- gain on remeasurement of staff retirement benefit obligation (net of deferred tax)	19	**7,213**	368
- share of other comprehensive income / (loss) of an Associated Company (net of taxation)	6	**9**	(1,329)
		7,222	(961)
Total Comprehensive Loss		**(22,379)**	(13,433)
		--------- Rupees ---------	
Loss per Share	33	**(8.11)**	(3.41)

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

Raza Kuli Khan Khattak	Noor-un-Nabi (ACA, APA)	Sikandar Kuli Khan Khattak
Chief Executive	Chief Financial Officer	Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
Cash flow from operating activities		
Loss for the year - before taxation and share of (loss) / profit of an Associated Company	**(47,519)**	(50,769)
Adjustments for non-cash charges and other items:		
Depreciation	**62,633**	51,889
Loss on disposal of fixed assets	**0**	299
Deferred income credited	**(3,598)**	(3,598)
Unclaimed payable balances written-back	**(93)**	(1,063)
Amortization of gain on forward foreign exchange contracts	**(116)**	(130)
Excess provision of workers' welfare fund written-back	**0**	(6,889)
Staff retirement benefits - gratuity (net)	**6,340**	11,137
Finance cost	**24,417**	27,048
Profit before working capital changes	**42,064**	27,924
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Stores, spares and loose tools	**(8,855)**	981
Stock-in-trade	**(235,858)**	(69,245)
Trade debts	**(177)**	57
Loans and advances	**1,125**	(624)
Prepayments	**(22)**	(282)
Other receivables	**(2,499)**	3,590
Sales tax refundable	**(14,985)**	5,403
Increase in trade and other payables	**38,819**	27,330
	(222,452)	(32,790)
Cash used in operations	**(180,388)**	(4,866)
Taxes paid	**(15,614)**	(11,241)
Long term loans - net	**(126)**	304
Net cash used in operating activities	**(196,128)**	(15,803)
Cash flow from investing activities		
Fixed capital expenditure - net	**(27,495)**	(51,122)
Sale proceeds of operating fixed assets	**0**	465
Security deposits	**0**	118
Dividend received	**426**	511
Net cash used in investing activities	**(27,069)**	(50,028)
Cash flow from financing activities		
Lease finances - net	**(19,228)**	(17,334)
Short term finances - net	**264,127**	103,250
Finance cost paid	**(21,768)**	(27,281)
Net cash generated from financing activities	**223,131**	58,635
Net decrease in cash and cash equivalents	**(66)**	(7,196)
Cash and cash equivalents - at beginning of the year	**543**	7,739
Cash and cash equivalents - at end of the year	**477**	543

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

Raza Kuli Khan Khattak	Noor-un-Nabi (ACA, APA)	Sikandar Kuli Khan Khattak
Chief Executive	Chief Financial Officer	Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	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 June 30, 2015	36,522	15,096	88,000	2,601	105,697	464,820	607,039
Total comprehensive loss for the year ended June 30, 2016:							
- loss for the year	0	0	0	0	0	(12,472)	(12,472)
- other comprehensive loss	0	0	0	0	0	(961)	(961)
	0	0	0	0	0	(13,433)	(13,433)
Amortization of gain on forward foreign exchange contracts	0	0	0	(130)	(130)	0	(130)
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	12,187	12,187
- upon sale of revalued assets	0	0	0	0	0	347	347
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,379	1,379
Balance as at June 30, 2016	36,522	15,096	88,000	2,471	105,567	465,300	607,389
Total comprehensive loss for the year ended June 30, 2017:							
- loss for the year	0	0	0	0	0	(29,601)	(29,601)
- other comprehensive income	0	0	0	0	0	7,222	7,222
	0	0	0	0	0	(22,379)	(22,379)
Amortization of gain on forward foreign exchange contracts	0	0	0	(116)	(116)	0	(116)
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	15,392	15,392
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,672	1,672
Balance as at June 30, 2017	**36,522**	**15,096**	**88,000**	**2,355**	**105,451**	**459,985**	**601,958**

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

Raza Kuli Khan Khattak	Noor-un-Nabi (ACA, APA)	Sikandar Kuli Khan Khattak
Chief Executive	Chief Financial Officer	Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND OPERATIONS

Babri Cotton Mills Limited (the Company) was incorporated in Pakistan on October 26, 1970 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of yarn. The Company's registered office and Mills are located at Habibabad, Kohat.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017, during the year, has been promulgated; however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the repealed Ordinance). Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives of the repealed Ordinance shall 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 Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(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 realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable 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 19.

(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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on July 01, 2016 and are considered to be relevant to the Company's operations:

(a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in the financial statements by emphasizing the importance of comparability, understandability and clarity in presentation.

The amendments provide clarification on number of issues including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Disaggregation and sub-totals – line items specified in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position or performance. There is also new guidance on the use of sub-totals.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above amendments do not have any significant impact on the Company's financial statements.

(b) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'; it has been clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has also been clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments do not have any significant impact on the Company's financial statements.

(c) Amendments to IAS 34 'Interim financial reporting' clarify what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. Entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. The amendments only affects disclosures in the Company's financial statements.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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 approved accounting standards are not effective for the financial year beginning on July 01, 2016 and have not been early adopted by the Company:

(a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.

(b) Amendments to IAS 7, 'Statement of cash flows' are applicable to annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only affect disclosures in the Company's financial statements.

(c) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.

(d) Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax asset for unrealized losses are applicable on accounting periods beginning on or after January 01, 2017. These amendments on the recognition of deferred tax asset for unrealized losses clarify how to account for deferred tax asset related to debt instruments measured at fair value. These amendments do not have a material impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations 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 capitalized during prior years. Borrowing costs are also capitalized 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 have been revalued on June 30, 2016 and 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 repealed Companies Ordinance, 1984 and shall be held on the balance sheet till realization. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. 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 5.1. 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 capitalized 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 capitalized 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 recognized 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 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 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 5.1 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 recognized at cost and the carrying amounts are increased or decreased to recognize 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 recognized 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 recognized in the Associated Companies' profit or loss. The Company's share of those changes is recognized 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 recognized 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 realizable 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 realizable value.
- in transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realizable value.
Waste	- At net realizable 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 realizable 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 recognized 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 costs

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowing costs are recognized 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 capitalized 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, 2017 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 recognized 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 / finalized 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 recognized for taxable temporary differences and deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. 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 realized.

4.13 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized 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 recognized 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 recognized 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 recognized 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, other receivables, bank balances, lease finances, 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 recognized amounts and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.17 Foreign currency translation

Foreign currency transactions are recorded in Pak Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pak 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 recognized 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 recognized when right to receive such dividend and bonus shares is established.

4.19 Impairment of non-financial assets

Non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 39 to these financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	**2017**	2016
		(Rupees in thousand)	
Operating fixed assets	**5.1**	**1,517,351**	1,555,665
Capital work-in-progress - buildings	**5.5**	**5,259**	2,083
		1,522,610	1,557,748

5.1 Operating fixed assets

	Owned															Leased		Total
	Freehold land	Roads, paths and culverts on freehold land	Buildings on freehold land				Plant & machinery	Generat-ors	Tools & equip-ment	Furnit-ure & fixtur-es	Office equip-ment	Compu-ters and access-ories	Security & survei-llance	Arms	Vehic-les	Plant & machin-ery	Generat-ors	
			Factory	Non - factory	Residential													
					officers	workers												
	-- Rupees in thousand --																	
As at June 30, 2015																		
Cost / revaluation	355,320	120	149,719	14,924	1,011	14,637	765,840	138,905	2,121	4,038	717	1,917	1,367	144	13,957	30,000	40,000	1,534,737
Accumulated depreciation	0	104	19,988	2,058	144	4,555	101,620	39,783	1,233	1,646	243	692	77	32	9,092	1,375	1,833	184,475
Book value	355,320	16	129,731	12,866	867	10,082	664,220	99,122	888	2,392	474	1,225	1,290	112	4,865	28,625	38,167	1,350,262
Year ended June 30, 2016:																		
Additions	0	0	0	0	0	0	38,548	4,225	344	186	0	76	0	0	5,660	0	0	49,039
Revaluation adjustments:																		
Cost / revaluation	105,280	0	43,517	8,039	0	0	0	(20,189)	0	0	0	0	0	0	0	0	0	136,647
Depreciation	0	0	26,475	2,701	65	438	38,685	0	0	0	0	0	0	0	0	1,717	2,289	72,370
Disposals:																		
Cost	0	0	0	0	0	0	(926)	0	0	0	0	0	0	0	0	0	0	(926)
Depreciation	0	0	0	0	0	0	162	0	0	0	0	0	0	0	0	0	0	162
Depreciation for the year	0	1	6,487	643	43	504	34,051	5,027	54	127	24	62	64	6	1,457	1,431	1,908	51,889
Book value	460,600	15	193,236	22,963	889	10,016	706,638	78,131	1,178	2,451	450	1,239	1,226	106	9,068	28,911	38,548	1,555,665
Year ended June 30, 2017:																		
Additions	0	0	0	0	0	0	22,653	846	0	79	276	465	0	0	0	0	0	24,319
Depreciation for the year	0	1	9,662	1,148	44	501	35,727	7,890	59	123	24	273	61	5	1,814	1,446	3,855	62,633
Book value	460,600	14	183,574	21,815	845	9,515	693,564	71,087	1,119	2,407	702	1,431	1,165	101	7,254	27,465	34,693	1,517,351
As at June 30, 2016																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	14,637	803,462	122,941	2,465	4,224	717	1,993	1,367	144	19,617	30,000	40,000	1,719,497
Accumulated depreciation	0	105	0	0	122	4,621	96,824	44,810	1,287	1,773	267	754	141	38	10,549	1,089	1,452	163,832
Book value	460,600	15	193,236	22,963	889	10,016	706,638	78,131	1,178	2,451	450	1,239	1,226	106	9,068	28,911	38,548	1,555,665
As at June 30, 2017																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	14,637	826,115	123,787	2,465	4,303	993	2,458	1,367	144	19,617	30,000	40,000	1,743,816
Accumulated depreciation	0	106	9,662	1,148	166	5,122	132,551	52,700	1,346	1,896	291	1,027	202	43	12,363	2,535	5,307	226,465
Book value	460,600	14	183,574	21,815	845	9,515	693,564	71,087	1,119	2,407	702	1,431	1,165	101	7,254	27,465	34,693	1,517,351
Depreciation rate (%)		5	5	5	5	5	5	10	5	5	5	20	5	5	20	5	10	

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

	2017	2016
	(Rupees in thousand)	
Owned		
- freehold land	**3,642**	3,642
- buildings on freehold land	**58,737**	61,827
- plant & machinery	**432,700**	412,297
- generators	**90,834**	97,878
Leased		
- plant & machinery	**25,834**	27,194
- generators	**32,633**	36,258
	644,380	639,096

5.3 Depreciation for the year has been apportioned as under:

- cost of sales	**59,564**	49,819
- administrative expenses	**3,069**	2,070
	62,633	51,889

5.4 The management, during the current year, in order to ascertain the useful life of generators and computers & accessories has carried-out an internal exercise and assessed their remaining useful life. Keeping in consideration the assessed useful life of these assets, their depreciation rates have been enhanced to 10% and 20% respectively per annum from 5% per annum.

The aforementioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors". The effect of this change in accounting estimate has been recognized prospectively in the profit and loss account of the current year. Had there been no revision, loss after taxation for the current year would have been lower by Rs.6.078 million whereas carrying value of operating fixed assets would have been higher by the said amount. Accordingly, loss per share for the year ended June 30, 2017 would have been Rs.6.44 instead of loss per share of Rs.8.11.

5.5 Capital work-in-progress

Opening balance	**2,083**	0
Additions during the year:		
- plant and machinery	**0**	13,667
- residential workers	**3,176**	2,083
	3,176	15,750
Transferred to operating fixed assets during the year	**0**	(13,667)
Balance as at June 30,	**5,259**	2,083

6. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted	2017	2016
	(Rupees in thousand)	
Janana De Malucho Textile Mills Ltd. (JDM) 341,000 (2016: 341,000) ordinary shares of Rs.10 each - cost	**4,030**	4,030
Equity held: 7.13% (2016: 7.13%)		
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	**72,515**	71,764
Dividend received	**(426)**	(511)
(Loss) / profit for the year - net of taxation	**(602)**	919
Share of other comprehensive income / (loss) - net of taxation	**9**	(1,329)
	75,526	74,873

6.1 Although the Company has less than 20 % voting rights in JDM as at June 30, 2017 and 2016, it is presumed that the Company has significant influence over JDM due to majority representation on the board of directors of JDM.

6.2 Market value of the Company's investment in JDM as at June 30, 2017 was Rs.34.100 million (2016: Rs.45.737 million).

6.3 JDM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of JDM based on its audited financial statements for the year ended June 30, 2017 is as follows:

	2017	2016
Summarized Balance Sheet		
Non-current assets	**3,364,100**	3,309,262
Current assets	**1,285,961**	869,769
	4,650,061	4,179,031
Surplus on revaluation of property, plant and equipment	**2,069,654**	2,084,865
Non-current liabilities	**396,031**	433,925
Current liabilities	**1,120,964**	607,450
	3,586,649	3,126,240
Net assets	**1,063,412**	1,052,791
Reconciliation to carrying amount		
Opening net assets	**1,052,791**	1,044,159
(Loss) / profit for the year	**(8,444)**	12,894
Dividend paid during the year	**(5,981)**	(7,177)
Incremental depreciation for the year	**20,832**	18,059
Other comprehensive income / (loss) for the year	**132**	(18,650)
Other adjustments	**4,082**	3,506
Closing net assets	**1,063,412**	1,052,791

	Note	2017	2016
		(Rupees in thousand)	
Company's share percentage 7.13% (2016: 7.13%)			
Company's share		**75,821**	75,064
Miscellaneous adjustments		**(295)**	(191)
Carrying amount of investment		**75,526**	74,873
Summarized Profit and Loss Account			
Sales		**2,515,643**	2,497,962
(Loss) / profit before taxation		**(21,538)**	14,114
(Loss) / profit after taxation		**(8,444)**	12,894

6.4 The management, as at June 30, 2017, has carried out impairment testing of its investment in JDM as required under IAS 36, 'Impairment of assets'. The recoverable amount of investment in JDM amounted Rs.155.871 million (2016: Rs.178.165 million). The recoverable amount of investment has been determined using the 'value-in-use' computation. In assessing the value in use, estimated future cash flows have been discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money. The pre-tax discount rate applied to cash flow projections is 9.23% (2016:8.97%). As a result of the aforementioned impairment testing, the management has concluded that the carrying value of investment in JDM does not exceed its recoverable amount.

7. LONG TERM LOANS - Secured

	Note	2017	2016
Interest free loans to:			
- executives	**7.1**	**180**	300
- employees	**7.2**	**1,374**	1,326
		1,554	1,626
Less: current portion grouped under current assets		**951**	1,149
		603	477

		2017	2016
7.1	Balance at beginning of the year	**300**	310
	Add: disbursements made during the year	**500**	450
		800	760
	Less: recoveries / adjustments made during the year	**620**	460
	Balance at end of the year	**180**	300

(a) The year-end balance is recoverable in monthly instalments ending March, 2018.

(b) Maximum aggregate amount of advances due from executives at any month-end during the year was Rs.790 thousand (2016: Rs.70 thousand).

7.2 These loans are recoverable in monthly instalments, which vary from employee to employee and are adjustable against the gratuity benefits of the respective employee.

8. STORES, SPARES AND LOOSE TOOLS

	Note	2017	2016
		(Rupees in thousand)	
Stores		**8,643**	7,449
Spares		**17,316**	9,708
Loose tools		**92**	39
		26,051	17,196

9. STOCK-IN-TRADE

	Note	2017	2016
Raw materials:			
- at mills	9.1	**318,223**	202,393
- in transit		**52,548**	21,112
		370,771	223,505
Work-in-process		**37,987**	36,606
Finished goods	9.1 & 9.2	**206,157**	118,946
		614,915	379,057

9.1 Raw material and finished good inventories as at June 30, 2017 and June 30, 2016 are pledged with National Bank of Pakistan as security for short term finance facilities (note 23).

9.2 Finished good inventories as at June 30, 2017 include inventories costing Rs.199.174 million (2016: Rs.100.376 million), which have been stated at net realizable value; the amount charged to profit and loss account in respect of inventories write-down to net realizable value worked-out to Rs.19.691 million (2016: Rs.2.081 million) approximately.

10. TRADE DEBTS - Unsecured

	Note	2017	2016
Balance at the year-end		**2,575**	2,398
Less: provision made against doubtful debts		**2,290**	2,290
		285	108

11. LOANS AND ADVANCES

	Note	2017	2016
Current portion of long term loans	7	**951**	1,149
Advances (unsecured - considered good):			
- employees		**2,374**	1,895
- contractors and suppliers		**1,727**	3,133
		5,052	6,177

12. OTHER RECEIVABLES

These include import letters of credit weight shortage claims aggregating Rs.4.680 million (2016: Rs.2.323 million).

13. CASH AND BANK BALANCES

	Note	2017	2016
		(Rupees in thousand)	
Cash-in-hand		**109**	163
Cash at banks on:			
- current accounts		**206**	234
- dividend accounts		**23**	23
- PLS account	13.1	**18**	6
- PLS security deposit account	13.1	**121**	117
		368	380
		477	543

13.1 These carry profit at the rates ranging from 2.40% to 2.41% (2016: 3.75% to 4.50%) per annum.

14. AUTHORIZED SHARE CAPITAL

2017	2016			
---- 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

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016			
---- Numbers ----				
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

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

	2017	2016
	---- 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

16. RESERVES

	Note	2017	2016
Capital reserve	16.1	**15,096**	15,096
General reserve		**88,000**	88,000
Gain on remeasurement of forward foreign exchange contracts - cash flow hedge		**2,355**	2,471
		105,451	105,567

16.1 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 repealed 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.

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

17.1 The Company had revalued its freehold land on September 30, 1998, September 30, 2004, January 31, 2007, June 27, 2009 and June 30, 2012. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004, January 31, 2007 and June 30 2012. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.808.690 million.

17.2 The Company, as at June 30, 2016, has again revalued its freehold land, buildings on freehold land, owned and leased plant & machinery and generators. The latest revaluation exercise has been carried-out by independent Valuers - M/s Hamid Mukhtar & Co. (Pvt.) Ltd. (Consulting Engineers, Surveyors and Loss Adjusters, Valuation Consultants), 14 - Q, Gulberg - 2, 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.209.017 million has been credited to this account to comply with the requirements of section 235 of the repealed Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2017	2016
	(Rupees in thousand)	
Opening balance	**900,838**	710,254
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	209,017
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	**(22,308)**	(17,922)
- upon sale of revalued assets	**0**	(511)
	878,530	900,838
Less: deferred tax on:		
- opening balance of surplus	**137,604**	114,746
- surplus arisen during the preceding year	**0**	33,196
- incremental depreciation for the year	**(6,916)**	(5,735)
- sale of revalued assets	**0**	(164)
	130,688	142,043
	747,842	758,795
Resultant adjustment due to reduction in tax rate	**4,216**	4,439
Closing balance	**752,058**	763,234

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- Secured

18.1 The Company, during the financial year ended June 30, 2015, had entered into a sale and lease-back financing facility with Saudi Pak Industrial and Agricultural Investment Company Limited subject to the following terms and conditions:

- Assets	Gas fired power generator of Austrian origin and four Simplex machines of Chinese origin
- Lease amount	Rs.70 million
- Tenor	3.5 years
- Mark-up rate	6 months KIBOR plus 300 bps
- Security deposit	10% of the cost of machinery
- Residual value	10% of the cost of machinery
- Security	Title of leased assets in the name of lessor and ranking charge on fixed assets of the Company
- Rental frequency	42 monthly instalments in arrears as detailed below:

Particulars	2017			2016		
	Upto one year	From one to three years	Total	Upto one year	From one to three years	Total
	---------------------------- Rupees in thousand ----------------------------					
Minimum lease payments	14,218	0	14,218	21,377	14,245	35,622
Less: finance cost allocated to future periods	394	0	394	2,166	404	2,570
Present value of minimum lease payments	13,824	0	13,824	19,211	13,841	33,052

18.2 These finances, during the year, carried finance cost at the rates ranging from 9.02% to 9.14% (2016: 9.37% to 11.53%) per annum.

18.3 Deferred income arisen on sale and lease-back arrangement has been worked-out as follows:

	(Rupees in thousand)
Lease amount	70,000
Carrying value of assets	57,405
Total deferred income	12,595
Less: credited to profit and loss account during the preceding years	6,897
Balance as at June 30, 2016	5,698
Less: credited to profit and loss account during the current year	3,598
Balance as at June 30, 2017	2,100

19. 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:

Significant actuarial assumptions	**2017**	2016
- discount rate	**7.75%**	7.25%
- expected rate of growth per annum in future salaries	**6.75%**	6.25%
- average expected remaining working life time of employees	**6 years**	6 years
- mortality rates	**SLIC 2001-2005**	SLIC 2001-2005
	Setback 1 year	
- withdrawal rates	**Age-based**	Age-based
- retirement assumption	**Age 60**	Age 60

	2017	2016
The amount recognized in the balance sheet is as follows:	**(Rupees in thousand)**	
Net liability at beginning of the year	**73,104**	62,500
Charge to profit and loss account	**18,555**	21,767
Experience adjustments	**(10,304)**	(533)
Payments made during the year	**(12,215)**	(10,630)
Net liability at end of the year	**69,140**	73,104
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**73,104**	62,500
Current service cost	**13,698**	16,191
Interest cost	**4,857**	5,576
Benefits paid	**(12,215)**	(10,630)
Experience adjustments	**(10,304)**	(533)
Closing balance	**69,140**	73,104
Expense recognized in profit and loss account		
Current service cost	**13,698**	16,191
Interest cost	**4,857**	5,576
Charge for the year	**18,555**	21,767
Charge for the year has been allocated to:		
- cost of sales	**15,772**	18,502
- distribution cost	**185**	218
- administrative expenses	**2,598**	3,047
	18,555	21,767
Remeasurement recognized in other comprehensive income		
Experience adjustments (net of deferred tax)	**(7,213)**	(368)

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

	2017	2016	2015	2014	2013
	Rupees in thousand				
Present value of defined benefit obligation	**69,140**	73,104	62,500	55,631	40,835
Experience adjustments on obligation	**(10,304)**	(533)	(4,337)	3,528	14,142

Year-end sensitivity analysis	**Impact on defined benefit obligation**		
	Changes in assumption	Increase	Decrease
		Rupees in thousand	
Discount rate	1%	**65,069**	**73,825**
Salary growth rate	1%	**73,989**	**64,846**

19.1 The average duration of the benefit obligation as at June 30, 2017 is 6 years.

19.2 The expected contribution to defined benefit obligation for the year ending June 30, 2018 is Rs.15.258 million.

20. DEFERRED TAXATION - Net

	2017	2016
	(Rupees in thousand)	
This is composed of the following:		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**120,367**	124,711
- surplus on revaluation of property, plant & equipment	**126,471**	137,602
- lease finances	**14,500**	10,666
	261,338	272,979
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(20,742)**	(22,662)
- provision for doubtful debts	**(687)**	(710)
- minimum tax recoverable against normal tax charge in future years	**(52,606)**	(38,388)
- unused tax losses	**(60,556)**	(50,575)
	(134,591)	(112,335)
	126,747	160,644

21. TRADE AND OTHER PAYABLES

	Note	2017	2016
		(Rupees in thousand)	
Creditors		**38,358**	28,085
Bills payable	21.1	**65,487**	21,004
Advances from customers		**1,753**	12,464
Accrued expenses		**52,848**	57,730
Interest free security deposits - repayable on demand		**170**	170
Due to Waqf-e-Kuli Khan		**12,048**	12,048
Income tax deducted at source		**378**	924
Unclaimed dividends		**2,431**	2,431
Others		**188**	79
		173,661	134,935

21.1 These are secured against lien on import documents.

22. ACCRUED INTEREST / MARK-UP

Accrued mark-up on short term finances	**8,708**	5,936
Accrued lease finance charges	**84**	207
	8,792	6,143

23. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.630 million (2016: Rs.630 million) and are secured against pledge of raw material and finished good stocks and first charge on current and fixed assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.54% to 7.63% (2016: 7.85% to 9.01%) per annum. Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.325 million (2016: Rs.325 million) out of which the amount remained unutilized at the year-end was Rs.154.294 million (2016: Rs.231.620 million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company.

These facilities are available upto December 31, 2017.

24. TAXATION

	Note	2017	2016
Opening balance		**10,231**	14,010
Provision made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.2.350 million (2016: Rs.4.312 million)]	24.2	**14,218**	10,231
- prior years		**34**	132
		14,252	10,363
Less: payments / adjustments made against completed assessments		**10,265**	14,142
		14,218	10,231

24.1 Income tax returns of the Company have been filed upto the tax year 2016 i.e. accounting year ended June 30, 2016.

24.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on turnover) of the Income Tax Ordinance, 2001 (the Ordinance).

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

The Finance Act, 2015 has omitted clause 126F of the Ordinance and inserted a new sub-clause (xx) of clause (11A) in part IV of the second schedule of the Ordinance wherein exemption from levy of minimum tax under section 113 of the Ordinance has been provided. The amendment would have a retrospective impact being related to tax years 2010, 2011 and 2012.

24.4 As per the rectification order dated February 03, 2017, the Income Tax Department has charged tax under sections 161 / 205 of the Ordinance raising tax demands of Rs.4.885 million for the tax year 2015 against which the Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which is pending adjudication.

25. CONTINGENCIES AND COMMITMENTS

25.1 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court, which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. An application, however, has been made before the PHC for suspension of its judgment till the filing of petition before the Supreme Court. PHC has suspended its judgment vide its order dated June 20, 2017.

Sui Northern Gas Pipelines Limited., along with gas bill for the month of June, 2017, has raised GIDC demands aggregating Rs.292.622 million, which are payable in case of an adverse judgment by the Supreme Court. Provisions for the GIDC demands aggregating Rs.292.622 million have not been made in the books of account as the management expects a favorable judgment by the Supreme Court due to meritorious legal grounds.

25.2 Guarantee amounting Rs.55.200 million (2016: Rs.55.200 million) issued by National Bank of Pakistan on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. was outstanding as at June 30, 2017.The guarantee is secured against the securities as detailed in note 23 and is valid upto December 31, 2017.

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

	2017	2016
	(Rupees in thousand)	
- raw materials	**42,300**	15,400
- spare parts	**7,719**	1,776
	50,019	17,176

25.4 Also refer contents of note 24.3 and 24.4.

26. SALES - Net

	Note	2017	2016
		(Rupees in thousand)	
Local			
- Yarn		**1,592,280**	1,476,156
- Waste		**57,358**	39,428
		1,649,638	1,515,584
Less: sales tax	26.1	**0**	71,337
		1,649,638	1,444,247

26.1 As per S.R.O. Notification 491(I) / 2016 dated June 30, 2016, sales made by the Company are being charged sales tax at zero percent with effect from July 01, 2016.

27. COST OF SALES

	Note	2017	2016
Raw materials consumed	27.1	**1,063,233**	896,387
Packing materials consumed		**33,488**	30,147
Salaries, wages and benefits	27.2	**260,227**	243,557
Power and fuel		**199,933**	201,124
Repair and maintenance:			
- stores consumed		**51,620**	41,546
- expenses		**9,978**	5,052
		61,598	46,598
Depreciation	5.3	**59,564**	49,819
Insurance		**5,089**	5,005
		1,683,132	1,472,637
Adjustment of work-in-process			
Opening		**36,606**	36,801
Closing	9	**(37,987)**	(36,606)
		(1,381)	195
Cost of goods manufactured		**1,681,751**	1,472,832
Adjustment of finished goods			
Opening stock		**118,946**	58,880
Closing stock	9	**(206,157)**	(118,946)
		(87,211)	(60,066)
Cost of goods sold		**1,594,540**	1,412,766

27.1 Raw materials consumed	Note	2017	2016
		(Rupees in thousand)	
Opening stock		**223,505**	214,131
Purchases		**1,209,828**	903,536
		1,433,333	1,117,667
Less: closing stock	9	**370,771**	223,505
Raw materials issued		**1,062,562**	894,162
Cess on cotton consumed		**671**	2,225
		1,063,233	896,387

27.2 These include Rs.15,772 thousand (2016: Rs.18,502 thousand) in respect of staff retirement benefits - gratuity.

28. DISTRIBUTION COST

	Note	2017	2016
Freight, loading, travelling and conveyance		**2,345**	2,087
Salaries and benefits	28.1	**6,419**	6,101
Commission		**3,448**	18
Others		**154**	153
		12,366	8,359

28.1 These include Rs.185 thousand (2016: Rs.218 thousand) in respect of staff retirement benefits - gratuity.

29. ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries and benefits	29.1	**51,817**	43,953
Printing and stationery		**753**	803
Communication		**1,172**	1,021
Travelling and conveyance		**1,580**	1,615
Rent, rates and taxes		**2,933**	2,264
Insurance		**376**	377
Advertisement		**130**	34
Repair and maintenance		**1,104**	716
Vehicles' running		**3,804**	3,558
Guest house expenses and entertainment		**1,493**	1,056
Subscription		**460**	408
Auditors' remuneration:			
- statutory audit		**875**	828
- half yearly review		**190**	150
- consultancy charges		**77**	90
- certification charges		**16**	50
- out-of-pocket expenses		**45**	45
		1,203	1,163
Legal and professional charges (other than Auditors)		**1,446**	2,918
Depreciation	5.3	**3,069**	2,070
		71,340	61,956

29.1 These include Rs.2,598 thousand (2015: Rs.3,047 thousand) in respect of staff retirement benefits - gratuity.

30. OTHER INCOME	Note	2017	2016
		(Rupees in thousand)	
Income from financial assets			
Return on bank deposits		**169**	516
Amortization of gain on forward foreign exchange contracts		**116**	130
Income from non-financial assets			
Salvage sales		**1,769**	3,586
Deferred income - credited	**18.3**	**3,598**	3,598
Unclaimed payable balances written-back		**93**	1,063
Excess provision of workers' welfare fund written-back	**30.1**	**0**	6,889
		5,745	15,782

30.1 As the Company's income for tax years 2010, 2011 and 2012 was exempt from charge of tax under clause 126F of the second schedule to the Income Tax Ordnance, 2001, provision for workers' welfare fund aggregating Rs.6.889 million pertaining to these tax years was written-back during the preceding year.

31. FINANCE COST			
Lease finance charges		**2,124**	4,148
Mark-up on short term finances		**22,293**	22,900
Bank charges		**239**	370
		24,656	27,418

32. TAXATION			
Current			
- for the year		**14,218**	10,231
- for prior years		**34**	132
	24	**14,252**	10,363
Deferred:			
- for the year		**(36,988)**	(52,180)
- resultant adjustment due to reduction in tax rate	**17**	**4,216**	4,439
		(32,772)	(47,741)
		(18,520)	(37,378)

33. LOSS PER SHARE

	2017	2016
	(Rupees in thousand)	
There is no dilutive effect on loss per share of the Company, which is based on:		
Loss after taxation attributable to ordinary shareholders	**(29,601)**	(12,472)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	**3,652,178**	3,652,178
	------- Rupees -------	
Loss per share - basic	**(8.11)**	(3.41)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, price 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 minimize 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.

34.2 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, stores & spares and plant & machinery denominated in U.S. $, Euro and CHF. The Company's exposure to foreign currency risk for U.S. $, Euro and CHF is as follows:

2017	**Rupees**	**U.S.$**	**Euro**	**CHF**
	---------------- in thousand ----------------			
Funded:				
Bills payable	**65,487**	**624**	**0**	**0**
Unfunded:				
Outstanding letters of credit	**50,019**	**403**	**47**	**19**
Total exposure	**115,506**	**1,027**	**47**	**19**
2016				
Funded:				
Bills payable	21,004	201	0	0
Unfunded:				
Outstanding letters of credit	17,176	147	15	0
Total exposure	38,180	348	15	0

The following exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2017	2016	**2017**	2016
U.S. $ to Rupee	**104.93**	104.51	**105.00**	104.70
Euro to Rupee	**112.76**	115.67	**120.14**	116.31
CHF to Rupee	**102.20**	-	**109.75**	-

Sensitivity analysis

At June 30, 2017, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, loss before taxation for the current and preceding years would have been lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities.

	2017	2016
Effect on loss for the year:	**Rupees in thousand**	
U.S. $ to Rupee	**6,552**	2,104

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on loss before taxation.

The sensitivity analysis prepared is not necessarily indicative of the effect on loss for the year and liabilities of the Company.

(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:

	2017	2016	**2017**	2016
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**2.40 to 2.41**	3.75 to 4.50	**139**	123
Variable rate instruments				
Financial liabilities				
Liabilities against assets subject to finance lease	**9.02 to 9.14**	9.37 to 11.53	**13,824**	33,052
Short term finances	**7.54 to 7.63**	7.85 to 9.01	**561,030**	296,903

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, 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss before taxation for the year would have been higher / lower by Rs.5.749 million (2016: Rs.3.299 million) 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.

34.3 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, 2017 along with comparative is tabulated below:

	2017	2016
	(Rupees in thousand)	
Security deposits	**1,033**	1,033
Trade debts	**285**	108
Other receivables	**4,916**	2,417
Bank balances	**368**	380
	6,602	3,938

All the trade debts at the balance sheet date represent domestic parties.

34.4 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 3 years
	------ Rupees in thousand ------			
2017				
Liabilities against assets subject to finance lease	13,824	14,218	14,218	0
Trade and other payables	161,065	161,065	161,065	0
Accrued interest / mark-up	8,792	8,792	8,792	0
Short term finances	561,030	581,438	581,438	0
	744,711	765,513	765,513	0
2016				
Liabilities against assets subject to finance lease	33,052	35,622	21,377	14,245
Trade and other payables	121,793	121,793	121,793	0
Accrued interest / mark-up	6,143	6,143	6,143	0
Short term finances	296,903	307,049	307,049	0
	457,891	470,607	456,362	14,245

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.

35. MEASUREMENT OF FAIR VALUES

The management, during the preceding year, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings on freehold land, owned and leased plant & machinery and generators. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Financial assets not measured at fair value

	2017	2016
	Carrying amount	
	(Rupees in thousand)	
Trade debts	**285**	108
Bank balances	**368**	380
	653	488
Financial liabilities not measured at fair value		
Creditors	**38,358**	28,085

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2017	2016	**2017**	2016	**2017**	2016
	---------------- Rupees in thousand ----------------					
Managerial remuneration	**6,522**	6,522	**3,604**	0	**29,339**	25,873
Bonus / ex-gratia	**0**	0	**0**	0	**0**	1,257
Retirement benefits	**0**	0	**0**	0	**1,955**	1,638
Utilities	**961**	1,025	**913**	0	**0**	0
Insurance	**6**	6	**0**	0	**16**	16
Medical	**471**	73	**40**	0	**914**	723
	7,960	7,626	**4,557**	0	**32,224**	29,507
No. of persons	**1**	1	**2**	0	**12**	11

36.1 Remuneration of directors includes expense for the years ended June 30, 2015 and June 30, 2016 aggregating Rs.3.377 million.

36.2 Chief executive and six (2016: six) of the executives have been provided with the Company maintained cars and residential telephones.

36.3 The Company has provided rent free accommodation to six (2016: five) of its executives in the mills' colony.

36.4 In addition to above, meeting fees of Rs.960 thousand (2016: Rs.380 thousand) were paid to ten (2016: seven) non-working directors during the year.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 The Company's shareholders vide a special resolution dated March 30, 2017 have enhanced the previous approved limit of Rs.5.000 million to Rs.12.500 million on account of transactions among Associated Companies of the Group, which fall under normal trade transactions for sale and purchase of store and spare parts, purchase of raw materials and certain other related transactions not falling within the preview of section 208 of the repealed Companies Ordinance, 1984 or the regulations made thereunder.

37.2 Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.61 thousand (2016: Rs.320 thousand).

37.3 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. Remuneration of directors and key management personnel are disclosed in the relevant note. 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 Janana De Malucho Textile Mills Ltd. (an Associated Company) during the year were as follows:

	2017	2016
Residential rent:	**(Rupees in thousand)**	
- paid	**1,399**	132
- received	**24**	5
Utilities:		
- paid	**90**	467
- recovered	**93**	102
Salaries:		
- paid	**6,304**	1,036
- recovered	**41**	74
Packing material purchased	**20**	0
Dividend received	**426**	511
Purchase of used machinery parts	**0**	410

38. 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 current ratio under the financing agreements.

39. OPERATING SEGMENT

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

39.1 Yarn sales represent 96.52% (2016: 97.40%) of the total sales of the Company.

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

39.3 All non-current assets of the Company as at June 30, 2017 are located in Pakistan.

39.4 Three (2016: three) of the Company's customers contributed towards 76.41% (2016: 61.23%) of net sales during the year aggregating Rs.1,216.634 million (2016: Rs.860.887 million).

40. CAPACITY AND PRODUCTION		**2017**	2016
Number of spindles installed		**53,040**	53,040
Number of rotors installed		**400**	400
Number of shifts worked for spindles		**1,094**	1,096
Number of shifts worked for rotors		**1,094**	1,096
Number of spindles / shifts worked		**54,225,138**	54,359,793
Number of rotors' shifts worked		**218,800**	219,200
Average count spun		**54.51**	56.38
Actual production on rotors	**Kgs**	**317,200**	278,282
Actual production on spindles	**Kgs**	**3,954,958**	3,801,962

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. NUMBER OF EMPLOYEES	**2017**	2016
	------ Numbers ------	
Number of persons employed as at June 30,		
- permanent	**1,159**	1,151
- contractual	**42**	39
Average number of employees during the year		
- permanent	**1,147**	1,134
- contractual	**43**	40

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 October, 2017 by the board of directors of the Company.

43. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, except for the following, no material re-arrangements and re-classifications have been made in these financial statements.

Computers and accessories having book value of Rs.1,239 thousand have been shown separately in note 5.1; previously, these were grouped with office equipment.

Raza Kuli Khan Khattak	Noor-un-Nabi (ACA, APA)	Sikandar Kuli Khan Khattak
Chief Executive	Chief Financial Officer	Director

BABRI COTTON MILLS LTD.

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 the 46th Annual General Meeting of the Company to be held on 27th November, 2017 at 11:00 a.m. at registered office of the company at Habibabad, Kohat and at any adjournment thereof.

As witness my hand this..................day of......................... 2017

Witnesses:

1. Signature: _______________
   Name: _______________
   Address: _______________
   ____
   ____
   NIC or
   Passport No: _______________

2. Signature: _______________
   Name: _______________
   Address: _______________
   ____
   ____
   NIC or
   Passport No: _______________

Signature

Please affix five rupees revenue stamp

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.

بابری کاٹن ملز لیمیٹیڈ

پراکسی فارم

میں / ہم ــــــــــــــــــــــــــــــــ ساکن ــــــــــــــــــــــــــــــــ ضلع ــــــــــــــــــــــــ

بحیثیت ممبر بابری کاٹن ملز لیمیٹڈ ــــــــــــــــــــــــــــــــ (شیئرز کی تعداد)

رجسٹر کا فولیو نمبر ــــــــــــــــ اور / یا سی ڈی سی فولیو کا آئی ڈی نمبر ــــــــــــــــ اور ذیلی اکاؤنٹ نمبر ــــــــــــــــ

مسمی / مسماۃ ــــــــــــــــــــــــ ساکن ــــــــــــــــــــــــ کو

اجلاسِ عام میں جو کہ **27 نومبر 2017** صبح **11:00** بجے کمپنی کے رجسٹرڈ آفس، حبیب آباد کوہاٹ میں منعقد ہوگا، میری / ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا ہوں / کرتے ہیں۔

ــــــــــــــــــــــــــــــــ

دستخط حصص داران

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

گواہان:

نام ــــــــــــــــــــــــ

پتہ: ــــــــــــــــــــــــ

ــــــــــــــــــــــــ

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ــــــــــــــــ

پاسپورٹ نمبر ــــــــــــــــ

بتاریخ: ــــــــــــــــ

دستخط ــــــــــــــــــــــــ

نام ــــــــــــــــــــــــ

پتہ ــــــــــــــــــــــــ

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ــــــــــــــــ

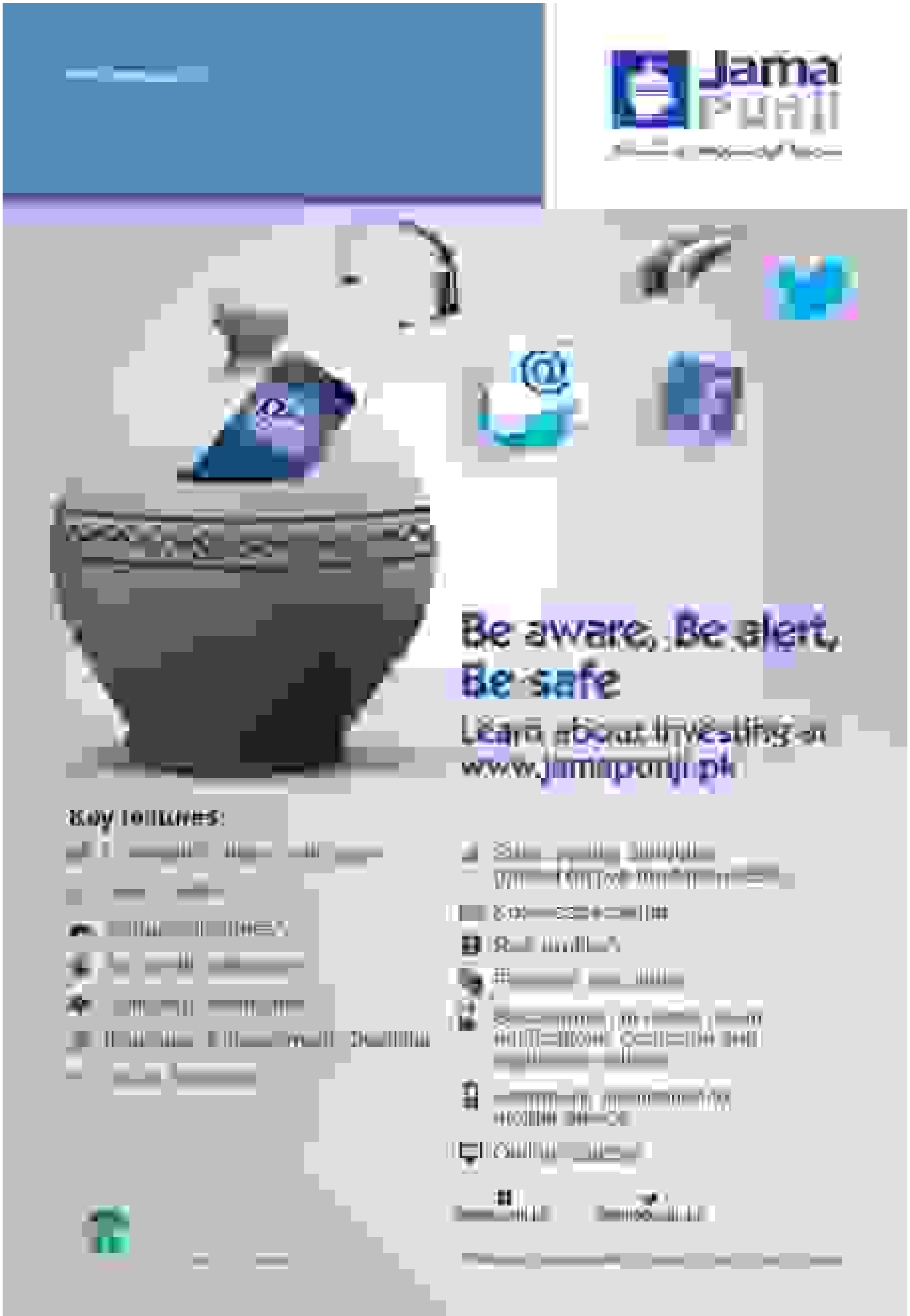
پاسپورٹ نمبر ــــــــــــــــ

بتاریخ: ــــــــــــــــ

نوٹ:

پراکسی کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم **48** گھنٹے قبل کمپنی کو موصول ہو جانا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

حصص داران اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ لف کریں۔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