BIBOJEE GROUP

HALF YEARLY ACCOUNTS DECEMBER, 2018

BABRI
COTTON MILLS LIMITED

CONTENTS

COMPANY'S PROFILE

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the board of directors of Babri Cotton Mills Limited, I am pleased to present the financial information of the company for the first half year ended December 31, 2018, along with the second quarter of the current financial year, duly reviewed by the statutory auditors.

Operating results of the company are as under:

	Second Quarter (Oct-Dec)		Cumulative (July-Dec)	
	2018	2017	**2018**	2017
	…………Rupees in thousands………			
Sales- Net	**639,077**	583,813	**1,078,370**	996,424
GrossProfit/ (Loss)	**(2,585)**	(17,341)	**30,506**	(49,651)
(Loss) from operations	**(25,077)**	(36,568)	**(11,702)**	(85,730)
(Loss) before taxation	**(51,665)**	(47,374)	**(56,752)**	(105,660)
(Loss) after taxation	**(8,415)**	(17,195)	**(12,268)**	(76,472)
(Loss) per share – Rs.	**(2.30)**	(4.71)	**(3.36)**	(20.94)

The Industry

During current financial year, Pakistan's textile industry has been striving hard to maintain its existence in business operations. There is a depression in local yarn markets, especially of finer counts. Local raw material price has increased by 20% but corresponding increase in yarn rates is still awaited. Our industry power & fuel costs and financial charges have been constantly rising, augmenting the costs of production and thereby reducing net margins.

Review of Operations

During half year period under review, turnover of the company has increased by Rs.81.946 Million (8%) but the related cost of sales has increased only by Rs.1.789 Million (0.17%), thereby achieving gross **PROFIT** of Rs.30.506 Million as compared to the gross **LOSS** of Rs.49.651 Million during corresponding period. The company's loss before taxation of Rs.56.752 Million, during the current reviewed period, has substantially been reduced by 46% from a loss of Rs.105.660 Million as compared to previous period. The company achieved a gross profit of Rs.33.091 Million (7.5% of sales) during first quarter ended September-18, but during second quarter ended December-18, there was nominal gross loss of Rs.2.585 Million (0.4% of sales) due to increased dollar conversion rate (13%), absorption of new season's local cotton rate (33% increase) and sluggish activity in fine count yarn markets. It is pertinent to mention that our company is now trying to reduce costs at every level during the current period and moving towards break-even bottom line results in subsequent months.

Future Outlook

The current government has announced some incentives for textiles, being the export-oriented segment, which mainly include the abolishment of import duty, custom duty and income tax having cumulative impact of 6% over raw material imports to be made from February-18 till June-18. Through this initiative along with 13% hike in PKR to US Dollar parity, I am expecting considerable increase in country's exports during coming months. In such scenario, trading activities in local consumer markets will be improved due to increase in overall exports of country. Yarn sale rates are expected to be increased in coming months. This will lead to higher gross margins, thereby improving the net results of the company. But at the same time, overhead costs are also rising. Sui gas tariff, being major component of power & fuel expense in our conversion cost, has been announced to be increased by 22%. Further, interest rates have also been increased through enhancement in policy rate by 250 basis points with effect from January-2018, which will have an adverse effect on our margins by 40 Million annually. But I consider that there is still a room for improvement towards the operational areas of the company.

Our management has been continuously monitoring and implementing timely decision-makings to attain more financial and operational efficiencies, and will continue to put its best efforts to achieve growth and improved financial results for the company and its stakeholders.

Comment on "QUALIFICATION" in Auditor's Report

With reference to qualified opinion by our statutory auditors, we wish to submit that the Company will carry-out the impairment testing of its investment in an Associated Company, at the close of current financial year, in accordance with IAS 36.

Acknowledgement

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

For & on behalf of the board of directors,

Saad Waheed
Director

Raza Kuli Khan Khattak
Chief Executive Officer

Kohat
Dated: February 28, 2019

ڈائریکٹرز رپورٹ برائے حصص داران

محترم حصص یافتگان!

بابری کاٹن ملز کے بورڈ آف ڈائریکٹرز کی جانب سے **31** دسمبر **2018** کے اختتام پر موجودہ سال کی دوسری سہ ماہی کے ساتھ نصف سال کی کمپنی آڈیٹرز سے نظر ثانی شدہ مالیاتی رپورٹ پیش کرتے ہوئے میں انتہائی خوشی محسوس کر رہا ہوں۔

کمپنی کے کاروباری نتائج مندرجہ ذیل ہیں۔

کمپنی کے کاروباری نتائج

	دوسری سہ ماہی (اکتوبر تا دسمبر) **2018**	2017	مجموعی (جولائی تا دسمبر) **2018**	2017
	(روپے ہزاروں میں)			
خالص فروخت	**639,077**	583,813	**1,078,370**	996,424
مجموعی منافع/(خسارہ)	**(2,585)**	(17,341)	**30,506**	(49,651)
آپریشنز سے (خسارہ)	**(25,077)**	(36,568)	**(11,702)**	(85,730)
ٹیکس سے پہلے (خسارہ)	**(51,665)**	(47,374)	**(56,752)**	(105,660)
ٹیکس کے بعد (خسارہ)	**(8,415)**	(17,195)	**(12,268)**	(76,472)
(خسارہ) فی شیئر	**(2.30)**	(4.71)	**(3.36)**	(20.94)

صنعت:

موجودہ سال کے دوران پاکستان کی ٹیکسٹائل انڈسٹری کاروباری آپریشن میں اپنے وجود کو برقرار رکھنے کے لئے انتہائی سخت کوشش کر رہی ہے۔ مقامی سوتر مارکیٹس انتہائی مندی کا شکار ہے خاص طور پر فائن کاونٹس کے حوالے سے انتہائی مندی ہے۔ مقامی خام مال کی قیمت میں **20%** اضافہ ہوا ہے مگر سوتر کی قیمت میں اس شرح سے اضافے کے ابھی تک منتظر ہیں۔ ہماری صنعتی پاور، ایندھن کے اخراجات اور مالی چارجز مسلسل بڑھ رہے ہیں، پیداواری لاگت میں اضافہ ہو رہا ہے جس سے نیٹ مارجن میں کمی واقع ہو رہی ہے۔

کاروباری جائزہ:

کاروباری جائزہ کے تحت موجودہ مدت کے دوران کمپنی کی آمدن **81.946** ملین روپے سے یعنی (**8%**) فیصد بڑھ گئی ہے۔ جبکہ اسکی متعلقہ لاگت فروخت صرف **1.789** ملین روپے یعنی (**0.17%**) سے بڑھی ہے۔ اسی طرح سے **49.651** ملین روپے مجموعی خسارہ کے مقابلے میں رواں سال **30.506** ملین روپے مجموعی منافع حاصل کیا گیا ہے۔ گزشتہ سال کے مدت کے دوران **105.660** ملین روپے خسارے کے مقابلے میں رواں سال ٹیکس سے قبل کمپنی کے مجموعی خسارہ میں **56.752** ملین روپے یعنی **46%** کمی آئی۔ کمپنی نے ستمبر **2018** کے اختتام پر پہلی سہ ماہی کے دوران **33.091** ملین روپے یعنی فروخت کا **7.5%** مجموعی منافع حاصل کیا۔ لیکن دسمبر **2018** کے اختتام پر دوسری سہ ماہی کے دوران ڈالر کی قیمتوں میں تبادلوں کے شرح میں (**13%**) اضافہ، نئے موسم کے مقامی کپاس کی شرح میں (**33%**) اضافہ اور فائن کاونٹس سوتر کی سرگرمیوں میں مندی کی وجہ سے برائے نام مجموعی خسارہ **2.585** ملین روپے یعنی (فروخت کا **0.4%**) تھا۔ یہاں اس بات کا تذکرہ کرنا ضروری ہے کہ موجودہ مدت کے دوران کمپنی ہر سطح پر اپنے اخراجات میں کمی کر رہی ہے اور آنے والے مہینوں میں **break even line** نتائج کے حصول کی طرف تیزی سے بڑھ رہی ہے۔

مستقبل کے نقطہ نظر:

موجودہ حکومت نے ٹیکسٹائل صنعت کے لئے کئی مراعات دینے کا اظہار کیا ہے، برآمد پر مبنی کچھ حصہ جس میں بنیادی طور پر درآمدی ڈیوٹی، کسٹم ڈیوٹی اور آمدنی ٹیکس کو ختم کرنا شامل ہیں، جسکے برآمدی خام مال پر فروری **2018** سے جون **2018** تک **6%** مجموعی اثرات مرتب ہوں گے۔ اس اقدام کے ساتھ پاکستانی روپے میں امریکی ڈالر کی **13** فیصد اضافے سے مجھے قوی اُمید ہے کہ ملکی برآمدات میں آنے والے مہینوں میں خاطر خواہ اضافہ ہوگا۔ اس تناظر میں ملک کی مجموعی برآمدات سے صارفین کی مقامی مارکیٹ کی تجارتی سرگرمیوں میں بہتری آئی گی۔ آنے والے مہینوں میں سوتر کی قیمت فروخت میں اضافے کا قوی امکان ہے۔ جس کی وجہ سے کمپنی کے خالص نتائج کو بہتر بناتے ہوئے اسکا مجموعی منافع بڑھنے کی اُمید ہے۔ لیکن بیک وقت اور ہیڈ لاگتیں بھی بڑھ رہی ہیں۔ سوئی گیس ٹیرف جو کہ ہماری **conversion** لاگت میں پاور اور فیول خرچ کا ایک بہت بڑا جزو ہے اسکی لاگتوں میں **22%** اضافے کا اظہار کیا گیا ہے۔ مزید یہ کہ جنوری **2018** سے پالیسی شرح میں **250** بیسز پوائنٹس اضافے سے سود کی شرح میں بھی اضافہ ہوا ہے۔ جس کے منفی اثرات **40** ملین روپے سالانہ ہماری کمائی پر ہوں گے۔ لیکن میں سمجھتا ہوں کہ کمپنی کے آپریشنل سرگرمیوں کو مزید بہتر کرنے کی ضرورت ہے۔ ہماری انتظامیہ زیادہ سے زیادہ مالیاتی اور عملیاتی نتائج کے اہداف کے حصول کے لئے بروقت فیصلہ سازی کا باخوبی جائزہ لے رہی ہے اور کمپنی اور اس کے متعلقین کے بہتر مالیاتی نتائج اور ترقی کے لئے اپنی پوری کوشش جاری رکھے گی۔

آڈیٹر کی رپورٹ میں "کوالیفیکیشن" پر اظہارِ رائے:

قانونی آڈیٹروں کی قابل اعتماد اظہارِ رائے کے حوالہ کے تحت ہم یہ بتانا چاہتے ہیں کہ کمپنی **IAS 36** معیار کے مطابق موجودہ مالی سال کے اختتام پر، ایسوسی ایٹیڈ کمپنی میں اس کی سرمایہ کاری کی **Impairment** ٹیسٹنگ جاری رکھے گی۔

اعتراف:

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

کوہاٹ

تاریخ: **28** فروری **2019**

رضا قلی خان خٹک

چیف ایگزیکٹو آفیسر

سعد وحید

ڈائریکٹر

Independent Auditors' Review Report to the Members of Babri Cotton Mills Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Babri Cotton Mills Limited** (the Company) as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2017 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The management has not carried-out impairment testing of its investments in an Associated Company at the reporting date as required under IAS 36 "Impairment of assets".

Qualified Conclusion

Based on our review, except for the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without further qualifying our conclusion, we draw attention to note 13.1 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.488.201 million.

The engagement partner on the review resulting in this independent auditors' report is Nafees ud din.

Shinewing Hameed Chaudhri & co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE: 28 February, 2019

Condensed Interim Statement of Financial Position as at December 31, 2018

	Note	Dec. 31, 2018 Un-audited	June 30, 2018 Audited
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	6	**1,702,328**	1,584,212
Investments in an Associated Company	7	**236,997**	236,325
Long term loans		**359**	535
Security deposits		**1,033**	1,109
		1,940,717	1,822,181
Current Assets			
Stores, spares and loose tools		**39,535**	39,566
Stock-in-trade		**825,536**	672,394
Trade debts		**315**	369
Loans and advances		**7,684**	8,671
Prepayments		**6,382**	1,837
Other receivables		**4,539**	4,710
Sales tax refundable		**60,105**	34,545
Income tax refundable, advance tax and tax deducted at source		**43,049**	45,298
Cash and bank balances		**14,737**	8,143
		1,001,882	815,533
Total Assets		**2,942,599**	2,637,714
Equity and Liabilities			
Equity			
Authorised capital		**250,000**	250,000
Issued, subscribed and paid-up capital		**36,522**	36,522
Capital reserves			
- share premium		**15,096**	15,096
- revaluation surplus on property, plant and equipment	8	**907,457**	915,635
Revenue reserves			
- general reserve		**88,000**	88,000
- gain on remeasurement of forward foreign exchange contracts		**2,192**	2,245
- unappropriated profit		**307,340**	311,253
Shareholders' Equity		**1,356,607**	1,368,751
Liabilities			
Non-current Liabilities			
Long term finances	9	**153,975**	70,096
Staff retirement benefits - gratuity		**76,019**	78,326
Deferred taxation		**37,072**	83,010
		267,066	231,432
Current Liabilities			
Trade and other payables	10	**227,408**	272,552
Unclaimed dividends		**2,431**	2,431
Accrued interest / mark-up		**26,766**	15,326
Short term finances	11	**1,029,416**	726,128
Current portion of non-current liabilities		**31,481**	3,644
Taxation	12	**1,424**	17,450
		1,318,926	1,037,531
Total Liabilities		**1,585,992**	1,268,963
Contingencies and Commitments	13		
Total Equity and Liabilities		**2,942,599**	2,637,714

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

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

Condensed Interim Statement of
Profit or Loss & Other Comprehensive Income (Un-audited)
For the Quarter and Six Months Period Ended December 31, 2018

	Note	Quarter ended Dec. 31, 2018	Quarter ended Dec. 31, 2017	Six months period ended Dec. 31, 2018	Six months period ended Dec. 31, 2017
		---------------- Rupees in thousand ----------------			
Sales - net		**639,077**	583,813	**1,078,370**	996,424
Cost of Sales		**641,662**	601,154	**1,047,864**	1,046,075
Gross (Loss) / Profit		**(2,585)**	(17,341)	**30,506**	(49,651)
Distribution Cost		**4,052**	4,613	**7,687**	6,986
Administrative Expenses		**19,876**	15,893	**36,064**	29,012
Other Expenses	14	**170**	50	**170**	4,559
Other Income	15	**(1,606)**	(1,329)	**(1,713)**	(4,478)
		22,492	19,227	**42,208**	36,079
Loss from Operations		**(25,077)**	(36,568)	**(11,702)**	(85,730)
Finance Cost		**27,083**	8,571	**45,545**	17,695
		(52,160)	(45,139)	**(57,247)**	(103,425)
Share of Profit / (Loss) of an Associated Company	7	**495**	(2,235)	**495**	(2,235)
Loss before Taxation		**(51,665)**	(47,374)	**(56,752)**	(105,660)
Taxation					
- current	12.2	**(4,067)**	8,340	**1,424**	12,488
- prior year		**30**	0	**30**	0
- deferred		**(39,213)**	(38,519)	**(45,938)**	(41,676)
		(43,250)	(30,179)	**(44,484)**	(29,188)
Loss after Taxation		**(8,415)**	(17,195)	**(12,268)**	(76,472)
Other Comprehensive Income		**0**	0	**0**	0
Total Comprehensive Loss for the Period		**(8,415)**	(17,195)	**(12,268)**	(76,472)
		------------------------ Rupees ------------------------			
Loss per Share		**(2.30)**	(4.71)	**(3.36)**	(20.94)

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

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

Condensed Interim Statement of Cash Flows (Un-audited)
For the Six Months Period Ended December 31, 2018

	Six months period ended	
	Dec. 31, 2018	Dec. 31, 2017
	(Rupees in thousand)	
Cash flow from operating activities		
Loss for the period - before taxation and share of profit / (loss) on investments in an Associated Company	**(57,247)**	(103,425)
Adjustments for non-cash charges and other items:		
Depreciation	**32,847**	29,668
Loss on sale of operating fixed assets	**0**	4,510
Deferred income credited	**0**	(1,799)
Amortisation of gain on forward foreign exchange contracts	**(53)**	(55)
Staff retirement benefits - gratuity (net)	**(2,307)**	(622)
Finance cost	**45,545**	17,695
Profit / (loss) before working capital changes	**18,785**	(54,028)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**31**	(5,846)
Stock-in-trade	**(153,142)**	220,986
Trade debts	**54**	(736)
Loans and advances	**1,163**	(6,939)
Prepayments	**(4,545)**	(4,180)
Other receivables	**171**	187
Sales tax refundable	**(25,560)**	(12,471)
(Decrease) / increase in trade and other payables	**(45,144)**	50,025
	(226,972)	241,026
Cash (used in) / generated from operations	**(208,187)**	186,998
Taxes paid	**(15,231)**	(5,340)
Net cash (used in) / generated from operating activities	**(223,418)**	181,658
Cash flow from investing activities		
Fixed capital expenditure	**(150,963)**	(23,622)
Sale proceeds of operating fixed assets	**0**	6,343
Security deposits	**76**	0
Net cash used in investing activities	**(150,887)**	(17,279)
Cash flow from financing activities		
Long term finances obtained	**111,716**	0
Lease finances repaid	**0**	(10,289)
Short term finances - net	**303,288**	963
Finance cost paid	**(34,105)**	(18,565)
Net cash generated from / (used in) financing activities	**380,899**	(27,891)
Net increase in cash and cash equivalents	**6,594**	136,488
Cash and cash equivalents - at beginning of the period	**8,143**	477
Cash and cash equivalents - at end of the period	**14,737**	136,965

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

Raza Kuli Khan Khattak
Chief Executive

Saad Waheed
Director

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

Condensed Interim Statement of Changes in Equity (Un-audited)
For the Six Months Period Ended December 31, 2018

		Capital Reserves		Revenue Reserves			
	Share capital	Share premium reserve	Revaluation surplus on property,plant and equipment	General reserve	Gain on hedging instruments	Unappropriated profit	Total
	------------------------------------ Rupees in thousand ------------------------------------						
Balance as at June 30, 2018 (audited)	**36,522**	**15,096**	**915,635**	**88,000**	**2,245**	**311,253**	**1,368,751**
Total comprehensive loss for the period ended December 31, 2018	**0**	**0**	**0**	**0**	**0**	**(12,268)**	**(12,268)**
Amortisation of gain on forward foreign exchange contracts	**0**	**0**	**0**	**0**	**(53)**	**0**	**(53)**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	**0**	**0**	**(7,361)**	**0**	**0**	**7,361**	**0**
Share of revaluation surplus on property, plant and equipment of an Associated Company	**0**	**0**	**(817)**	**0**	**0**	**0**	**(817)**
Effect of items directly credited in equity by an Associated Company	**0**	**0**	**0**	**0**	**0**	**994**	**994**
Balance as at December 31, 2018 (un-audited)	**36,522**	**15,096**	**907,457**	**88,000**	**2,192**	**307,340**	**1,356,607**
Balance as at June 30, 2017 (audited)	36,522	15,096	932,265	88,000	2,355	441,252	1,515,490
Total comprehensive loss for the period ended December 31, 2017	0	0	0	0	0	(76,472)	(76,472)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(55)	0	(55)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) - on account of incremental depreciation for the period	0	0	(7,364)	0	0	7,364	0
- upon sale of revalued assets	0	0	(3,906)	0	0	3,906	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(900)	0	0	0	(900)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	(229)	(229)
Balance as at December 31, 2017 (un-audited)	36,522	15,096	920,095	88,000	2,300	375,821	1,437,834

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

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

Notes to the Condensed Interim Financial Statements (Un-audited)
For the Six Months Period Ended December 31, 2018

1. Legal Status and Operations

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

2. Basis of Preparation

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, "Interim financial reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Significant Accounting Policies

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018, except for the adoption of IFRS 15 " Revenue from contracts with customers". The revised accounting policy adopted by the management is as follows:

IFRS 15 - Revenue from Contracts with Customers

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

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

4. These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017.The figures of the condensed interim statement of profit or loss & other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed by the statutory auditors of the Company as the auditors have reviewed the cumulative figures for the six months period ended December 31, 2018. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended June 30, 2018.

5. Accounting Estimates, Judgments and Financial Risk Management

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2018.

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

6. Property, Plant and Equipment

	Note	**Un-audited Dec. 31, 2018**	Audited June 30, 2018
		(Rupees in thousand)	
Operating fixed assets	**6.1**	**1,623,930**	1,535,925
Capital work-in-progress - plant and machinery		**78,398**	48,287
		1,702,328	1,584,212

6.1 Operating Fixed Assets

Book value as at June 30, 2018	**1,535,925**
Additions during the period:	
Owned:	
- plant & machinery	**120,735**
- tools & equipment	**27**
- computers & accessories	**90**
	120,852
Depreciation charge for the period	**(32,847)**
Book value as at December 31, 2018	**1,623,930**

7. Investments in an Associated Company - Quoted

	Un-audited Dec. 31, 2018	Audited June 30, 2018
Janana De Malucho Textile Mills Ltd. (JDM)	**(Rupees in thousand)**	
341,000 ordinary shares of Rs.10 each - **cost** Equity held: 7.13%	**4,030**	4,030
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	**67,729**	72,590
Share of revaluation surplus on property, plant and equipment	**164,743**	165,560
Profit / (loss) for the period / year - net of taxation	**495**	(4,710)
Share of other comprehensive loss - net of taxation	**0**	(1,145)
	236,997	236,325

7.1 Although the Company has less than 20% voting rights in JDM as at December 31, 2018 and June 30, 2018, it is presumed that the Company has significant influence over JDM due to majority representation on the board of directors of JDM.

7.2 **(a)** Market value of the Company's investments in JDM as at December 31, 2018 was Rs.22.847 million (June 30, 2018: Rs.21.868 million).

(b) The management intends to carry-out impairment testing of its investments in JDM as at June 30, 2019.

7.3 The management, as at June 30, 2018, had carried-out impairment testing of its investment in JDM as required under IAS 36, 'Impairment of assets'. The recoverable amount of investment in JDM amounted Rs.244.357 million. The recoverable amount of investment was determined using the 'value-in-use' computation. In assessing the value in use, estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessment of the time value of money. The pre-tax discount rate applied to cash flow projections was 7.95%. As a result of the aforementioned impairment testing, the management had concluded that the carrying value of investment in JDM did not exceed its recoverable amount.

8. **Revaluation surplus on property, plant and equipment** - net	**Note**	**Un-audited Dec. 31, 2018**	Audited June 30, 2018
		(Rupees in thousand)	
Revaluation surplus on the Company's property, plant & equipment		**742,714**	750,075
Share of revaluation surplus on property, plant and equipment of JDM	7	**164,743**	165,560
		907,457	915,635

9. **Long term finances** - secured

The Bank of Khyber, during the current period, has further disbursed Rs.111.716 million against the demand finance facility obtained for import of textile plant and machinery.

10. **Trade and Other Payables**		
Creditors	**124,248**	53,444
Due to an Associated Company (JDM)	**2,330**	0
Bills payable	**0**	140,449
Contract liabilities	**20,334**	2,457
Accrued expenses	**63,921**	63,714
Interest free security deposits - repayable on demand	**170**	170
Due to Waqf-e-Kuli Khan	**12,048**	12,048
Income tax deducted at source	**3,919**	0
Others	**438**	270
	227,408	272,552

11. **Short term finances** - secured		
National Bank of Pakistan	**679,465**	463,208
The Bank of Khyber	**349,951**	262,920
	1,029,416	726,128

12. Taxation - net

		Un-audited Dec. 31, 2018 (Rupees in thousand)
Balance as at June 30, 2018		**17,450**
Add: provision made during the period:		
	current (net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 (the Ordinance) amounting Rs.12.074 million)	**1,424**
	prior year	**30**
		1,454
		18,904
Less: payments / adjustments made against completed assessment		**17,480**
		1,424

12.1 Income tax returns of the Company have been filed upto the tax year 2018, i.e. accounting year ended June 30, 2018.

12.2 Provision for the current period represents tax payable under section 113 (Minimum tax on the income of certain persons) of the Ordinance.

12.3 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.

12.4 There has been no significant change during the current period in the status of taxation matter as detailed in note 27.4 to the financial statements of the Company for the year ended June 30, 2018.

13. Contingencies and Commitments

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

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of December, 2018, has raised GIDC demands aggregating Rs.488.201 million, which are payable in case of an adverse judgment by the SCP. Provisions for these GIDC demands pertaining to prior years and the current period have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

13.2 Guarantee amounting Rs.55.200 million issued by National Bank of Pakistan on behalf of the Company in favour of Sui Northern Gas Pipelines Ltd. was outstanding as at December 31, 2018.

	Un-audited Dec. 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
13.3 Commitments against irrevocable letters of credit outstanding at the period / year-end were for:		
- raw materials	**63,430**	71,518
- spare parts	**14,188**	117,626
	77,618	189,144

13.4 Also refer contents of note 12.3.

14. Other expenses

Expense for the preceding period included loss on disposal of fixed assets amounting Rs.4.510 million.

15. Other income

Income for the period includes gain on sale of stores aggregating Rs.1.470 million (2017: Rs.2.624 million).

16. Transactions with Related Parties

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

Name	Nature of transaction	Cumulative **Jul. - Dec., 2018**	 Jul. - Dec., 2017
		(Rupees in thousand)	
Associated Company - JDM	Residential rent paid	**925**	804
	Utilities / expenses:		
	- recovered	**15**	0
	- paid	**46**	47
	Salaries paid	**1,373**	820
Other related parties			
Key Management Personnel	Salaries and benefits	**10,799**	9,017

16.2 Payable to JDM as at December 31, 2018 is disclosed in note 10.

17. Corresponding Figures

17.1 In order to comply with the requirements of IAS 34 "Interim financial reporting", the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

17.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; however, no significant re-classifications / re-statements have been made to these condensed interim financial statements.

18. Date of Authorisation for Issue

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 February, 2019.

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

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