

**49th  
Annual Report  
2019**

BIBIJEE GROUP



**BABRI**  
**COTTON MILLS LIMITED**

## بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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**COMPANY'S PROFILE**

BOARD OF DIRECTORS	Mr. Raza Kuli Khan Khattak Chief Executive Mrs. Shahnaz Sajjad Ahmad (resigned on Sept 30, 2019) Mr. Ahmed Kuli Khan Khattak (resigned on Aug 27, 2019) Mr. Gohar Ayub Khan Dr. Shaheen Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak Mr. Zahid Said Mr. Omar Khan Afridi Dr. Hamid Zeb Khan- Chairman (appointed on Oct 17, 2019) Mr. Ahad Khattak (appointed on Oct 17, 2019) Mr. Amin Ullah Khan (appointed on Oct 17, 2019)	
AUDIT COMMITTEE	Mr. Zahid Said Mr. AminUllah Khan Dr. Shaheen Kuli Khan Khattak	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Omar Khan Afridi Mr. Raza Kuli Khan Khattak Mr. Zahid Said	Chairman Member Member
COMPANY SECRETARY	Mr. Muhammad Ali Waqar ACCA	
CHIEF FINANCIAL OFFICER	Mr. Noor-un-Nabi ACA, APA	
INTERNAL AUDITOR AUDITORS Chartered Accountants	Mr. Nasir Ali Khan ACCA, APA M/s ShineWing Hameed Chaudhri & Co.,	
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	

## VISION STATEMENT

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

## MISSION STATEMENT

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

**NOTICE OF ANNUAL GENERAL MEETING**

**Notice** is hereby given that the 49<sup>th</sup> Annual General Meeting of the company will be held at the registered office of the Company at **Habibabad, Kohat** on **Saturday 23<sup>rd</sup> November, 2019** at **12:00 Noon** to transact the following business:

1. To confirm minutes of the Annual General Meeting held on 19 October, 2018.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2019 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the financial year 2019-20 and to fix their remuneration. The retiring auditors M/s. Shinewing Hameed Chaudhri and Company Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
4. To consider any other business with the permission of the Chair.

By order of the Board



**Muhammad Ali Waqar**  
**Company Secretary**

Kohat

Dated: 02 November, 2019

**NOTES:**

1. The share transfer books of the Company will remain closed from November 17, 2019 to November 23, 2019 (both days inclusive). Transfers received at M/s. Hameed Majeed Associates (Pvt), Ltd., 5<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, before close of business hours on November 16, 2019 will be treated in time.
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for his/her behalf. Proxy instrument in order to be effective must be received at the registered office of the Company duly stamped and signed not less than 48 hours before the time of holding the meeting.
3. Any individual beneficial owner of CDC entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Corporate Members, the Board's resolution power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.

4. All Shareholders are again requested to send immediately their Bank A/c No. & IBAN No & Name of Bank/Branch/City alongwith copy their attested CNIC at abovementioned address of the Company's Share Registrar to enable us to send the amount of dividend to them, if declared, through Bank A/c on line system, as per directions of the SECP and Companies Act, 2017.
5. Shareholders are requested to notify the change of their addresses.
6. Members can also avail Video Conference facility. In this regard, please fill the following and submit to the registered address of the company atleast seven (07) days before the date of general meeting.

I/We. \_\_\_\_\_ of \_\_\_\_\_ being a member of BABRI COTTON MILLS LIMITED, holder of \_\_\_\_\_ Ordinary Shares as per Register Folio No./CDC A/C No. \_\_\_\_\_ hereby opt for Video conference Facility at \_\_\_\_\_.

*Signature of members*

Note:

1. If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 07 days prior to the date of availability of such facility in that city.
2. Comprehensive notice of AGM to be held on 23<sup>rd</sup> November, 2019 is being circulated to the shareholders along with annual audited Financial Statements for the year ended 30<sup>th</sup> June 2019. It is also available on Company's Website i.e. [www.bcm.com.pk](http://www.bcm.com.pk)

**CHAIRMAN'S REVIEW**

On behalf of the Board of Directors, I am pleased to present the review for the year ended June 30, 2019 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

**FINANCIAL OVERVIEW**

The current fiscal year has showed an improved performance as compared to previous year. Our turnover has increased by 17.37% and crossed 2 billion rupees which reflects a record high achievement in sales in previous 5 years. With efforts of our management, we have been able to bring out the Company from gross and operational loss position into respective profits. However, the Company has obtained major finances during the year as a result of which its Finance Cost has increased by 157% which also acts as a deciding factor in turning the Company's operational profit into a net loss after tax.

Current year's financial results in comparison to previous year are as under:

	<u>Year ended June 30,</u>	
	<b>2019</b>	<b>2018</b>
		<i>(Re-stated)</i>
		<b>(Rupees in thousands)</b>
<b>Sales</b>	<b>2,218,285</b>	1,890,012
<b>Gross Profit / (Loss)</b>	<b>121,480</b>	(33,522)
<b>Operating Profit / (Loss)</b>	<b>19,901</b>	(112,759)
<b>Finance Cost</b>	<b>(115,890)</b>	(45,081)
<b>Loss before Taxation</b>	<b>(95,379)</b>	(84,477)
<b>Loss after Taxation</b>	<b>(39,018)</b>	(84,439)
		-----Rupees-----
<b><u>Loss per Share</u></b>		
<b>Basic and diluted Loss per share – Rs.</b>	<b>(10.68)</b>	(23.12)

**Re-statement**

The Company has made restatements to the comparative figures presented in the current year financial statements to comply with the notice issued by Securities and Exchange Commission of Pakistan under section 474 of the Companies Act, 2017 requiring the Company to rectify the defaults and to undo the irregularities leading to a modified opinion by the External Auditors on the financial statements of the Company for the year ended June 30, 2018. For detailed information on the matter, please refer to the attached financial statements.

**PERFORMANCE EVALUATION AND EFFECTIVENESS OF THE BOARD**

The board has developed structured criteria and processes to evaluate its own performance, as well as individual performances of every member and their respective contribution towards common objectivity of achieving excellence at every level. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to these questionnaires are discussed in detail after being complied at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating to policies, international standards and best practices.

While developing respective committees, as required under the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board has established specific roles, guidelines and responsibilities

through some terms of references for each committee. The overall performance of the board has remained satisfactory.

Frequency of the board's meeting during financial year 2018-19 was as follows:

- Board of Directors: **Six**
- Board Audit Committee: **Five**
- Human resource and Remuneration Committee: **One**

The Company has established an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to the board audit committee on quarterly basis and areas for continuous improvement are highlighted.

### **OPERATIONAL RISKS, CHALLENGES AND FUTURE PERSPECTIVE**

I do expect following challenges to be faced by the textile industry as a whole, in coming period:

- High power generation cost (due to increase in gas tariff by SNGPL);
- Imposition of Sales Tax on the entire Textile Sector due to revocation of S.R.O 1125
- Escalation in labor cost (increase in minimum wage);
- Rupee devaluation (thereby increasing in raw material input cost); and
- Increase in borrowing cost (through escalation in SBP base rate)

Now the textile companies should focus on enhancing their financial strengths to meet these challenges in terms of both liquidity and profitability relating to operating cash and working capital requirements. There should also be the medium-term and long-term strategic plans for the technological advancements to meet the quality parameters required by the customers.

### **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to acknowledge and appreciate the extraordinary efforts made by the whole team of professionals, in sailing the company through one of its most critical times of operational losses and liquidity crunches. I also express gratitude to all stakeholders of the company including our customers, financial institutions and supply-chain vendors for their continued cooperation and support.

The Board of directors is confident about achievement of anticipated challenges during next year with more enthusiasm.

October 28, 2019  
Islamabad

  
**Dr. Hamid Zeb Khan**  
**Chairman**

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The directors of the Company are pleased to present 49th annual report of your company together with audited financial statements and auditors' report for the year ended June 30, 2019. Figures for the previous year ended June 30, 2018 (as re-stated in the accounts of financial year ended June 30, 2019) are included for comparison.

**Company's Overview**

The principle activity of your company is to spin yarns of medium to fine counts range, i.e. from 30/1 to 80/1, both carded and combed. Our customer base is mainly shuttleless and air-jet segments of weaving industry. We also have capacity to produce open end yarn from 8/1 to 12/1 from primary wastes extracted from ring spinning process.

**Financial Results**

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

	<b><u>Year ended June 30,</u></b>	
	<b>2019</b>	<b>2018</b>
		<i>(Re-stated)</i>
	<b>(Rupees in thousands)</b>	
<b>Sales</b>	<b>2,218,285</b>	1,890,012
<b>Gross Profit / (Loss)</b>	<b>121,480</b>	(33,522)
<b>Operating Profit / (Loss)</b>	<b>19,901</b>	(112,759)
<b>Finance Cost</b>	<b>(115,890)</b>	(45,081)
<b>Loss before Taxation</b>	<b>(95,379)</b>	(84,477)
<b>Loss after Taxation</b>	<b>(39,018)</b>	(84,439)
	<b>-----Rupees-----</b>	
<b><u>Loss per Share</u></b>		
Basic and diluted Loss per share – Rs.	<b>(10.68)</b>	(23.12)

**Re-statement**

The Securities and Exchange Commission of Pakistan, vide its notice under Section 474 of the Companies Act, 2017, has directed the Company's Board of Directors to rectify the defaults and also to undo the irregularities leading to modified opinion of the External Auditors on the financial statements of the Company for the year ended June 30, 2018. For this purpose, Company has resolved to engage the services of independent valuation consultants M/s Aamir Salman Rizwan, Chartered Accountants – a QCR rated firm, to ascertain the valuation of our Investments in an Associated Company. The effects of this valuation have been accounted for retrospectively as per the requirements of IAS 8 – Accounting Policies, changes in accounting estimates and errors and comparative figures have been restated in compliance with the aforementioned notice.

**Appropriation of Dividend**

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

**Financial perspective**

The current fiscal year has showed an improved performance as compared to previous year. Company's turnover has increased by 17.37% and crossed 2 billion rupees which reflects a record high achievement in sales in previous 5 years. With untiring efforts of our management, we have been able to bring out the

Company from gross and operational loss position into respective profits. However, the Company has obtained major finances during the year as a result of which its Finance Cost has increased by 157% which also acts as a deciding factor in turning the Company's operational profit into a net loss before tax.

Major reason for incurring loss during the current financial year is the increase in Finance Cost as discussed above. The Company has obtained these finances to fund its CAPEX program which has resulted in additions worth of Rs. 200 million in Plant & Machinery to improve efficiency and quality of the yarn that we produce. In the first half of the financial year, your Company has achieved gross profit margin (G.P margin) of 2.83% as compared to **gross loss** % of (4.98%) in corresponding period. However, your Company's management does not sit back on positive results instead they have striven hard for improved results which resulted in G.P margin of 8% in second half of the financial year with overall G.P margin of 5.48%. It is pertinent to mention that your Company has tried to reduce costs at every level during the year under review and inshallah will achieve better results in subsequent year(s).

We have also inducted new professionals in our marketing and production teams, and are putting significant effort for continuous research & development. We are hopeful that these measures will reduce our raw material costs to a reasonable low level, making gross margins higher in months to come. We are also working to enter different markets for our finished products, reducing our reliance on Faisalabad market. The management of the company is fully aware of the present challenges in the textile industry and is hopeful that its efforts will be successful. The board of directors is cognizant of these facts and is striving to take all necessary steps to protect the interests of its stakeholders.

The company has also accounted for its share of profit of Janana De Malucho Textile Mills Limited (an Associated Company) amounting Rs.0.610 million during the current year as against loss of Rs.5.222 million in 2018 (Re-stated). We are strongly focused and fully committed to reduce these expenses through cost-cutting measures at each level.

#### ***Textile Industry Overview***

Our textile industry is still facing significant economic and governance issues & challenges in achieving desired GDP growth and export targets. Despite this, Pakistan's largest export industry is still its Textile Industry as per Economic Survey of 2018-19. Pak rupee devaluation of more than 15%, during last six months of the financial year, benefitted textile exporters but this measure was outweighed by a rise in input costs of imported raw materials, which are major constituents of finished products. Furthermore, input costs like energy, labor and other overheads are also continuously on the rise. KIBOR has also increased by more than 20% in the second half of the financial year. Our spinning segment operating in fine counts range has to rely considerably on imported raw materials, which are subject to additional import/custom duties, thus increasing the input costs by more than 5%. Due to decline in yarn exports, abundant supply of locally manufactured yarn is available in local market, also augmented by Indian low-cost yarn imports & illegal smuggling through Afghan transit trade route, thus leading to a drastic fall in yarn prices.

Other challenges continue to be faced by this sector are higher power generation and labor costs as compared to neighboring countries as well as huge amounts stuck in sales tax refunds. Although, Government has taken positive step by introducing Sales Tax refund Bond Scheme to expedite the payment of sales tax refunds but the bonds carry a maturity period of 3 years. Furthermore, imposition of 17% sales tax on this sector by revoking S.R.O 1125 has further created a dampening impact on the entire value chain.

Now the lifeline for textile companies is their respective financial strength to manage the operational cash flows to meet the operating working capital cycle, either through sponsors' increased proportions of their stakes or some subsidized loans from financial institutions. At the same time, technological advancements, upgradation and BMR plans have also become inevitable in current scenario to hold the market share in terms of quality parameters. We are facing serious competition from India, China, Bangladesh & Vietnam in foreign as well as local markets.

**Corporate Governance and Financial reporting methodologies**

The directors of the of the company are pleased to state that your company is compliant with the best practices of the Code of Corporate Governance Regulations, 2017, issued by the Securities and Exchange Commission of Pakistan. The board further states that:

- a) 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.
- b) Proper books of accounts have been maintained by the company.
- 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 financial reporting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed therein.
- 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) There has been no material departure from best practices of the Code of Corporate governance Regulation, 2017.
- h) The board has an established Audit Committee and Human Resource and Remuneration Committee, and an independent director has been appointed as a Chairman of these Committees in compliance with the code of corporate governance regulations.
- l) here is no major outstanding liability of statutory taxes & duties at year-end, except for disclosures in contingent liabilities of these financial statements.

**Composition of the Board**

The Board of Directors of the Company as at 30<sup>th</sup> June, 2019, constitutes as follows:

1. The total number of directors are 9 (Nine) as per the following:
  - (a) **Male: Seven (07)**
    - 1) Mr. Raza Kuli Khan Khattak – Chief Executive
    - 2) Mr. Ahmad Kuli Khan Khattak (AKKK)
    - 3) Mr. Gohar Ayub Khan
    - 4) Dr. Hamid Zeb Khan
    - 5) Mr. Sikandar Kuli Khan Khattak
    - 6) Mr. Omar Khan Afridi (appointed w.e.f.: June 26, 2019)
    - 7) Mr. Zahid Said (appointed w.e.f.: June 26, 2019)

**(b) Female: Two (02)**

- 1) Mrs. Shahnaz Sajjad Ahmed (SSA) – Chairperson\*
- 2) Dr. Shaheen Kuli Khan Khattak

\* Mr. AKKK and Mrs. SSA have resigned from the Board w.e.f. August 27, 2019 and September 30, 2019 respectively; and in their place, the Board has appointed Mr. Ahad Khattak and Mr. Amin Ullah Khan as Directors w.e.f. October 17, 2019. The Board has also appointed Dr. Hamid Zeb Khan as the Chairman w.e.f. October 17, 2019.

2. The composition of board as at 30<sup>th</sup> June, 2019 is as follows:

**1) Independent Director:**

- 1) Mr. Zahid Said
- 2) Mr. Omar Khan Afridi
- 3) Dr. Hamid Zeb

**2) Other Non-executive Director**

- 1) Mr. Ahmad Kuli Khan Khattak
- 2) Mr. Gohar Ayub Khan
- 3) Mrs. Shahnaz Sajjad Ahmed
- 4) Dr. Shaheen Kuli Khan Khattak

**3) Executive Director**

- 1) Mr. Raza Kuli Khan Khattak
- 2) Mr. Sikandar Kuli Khan Khattak

3. Following directors have resigned during the year:

- 1) Major (Retd.) Muhammad Zia (resigned: May 07, 2019)
- 2) Mr. Saad Waheed (resigned: May 14, 2019)

**Composition of Board Committees**

The board has formed committees comprising of members given below:

**Audit Committee**

- Mr. Zahid Said-**Chairman**
- Mr. Ahmed Kuli Khan Khattak- **Member**
- Mr. Gohar Ayub- **Member**
- Mr. Saad Waheed (resigned)

**HR and Remuneration Committee**

- Mr. Zahid Said- **Chairman**
- Mr. Raza Kuli Khan Khattak- **Member**
- Mr. Ahmed Kuli Khan Khattak- **Member**
- Mr. Saad Waheed (resigned)

The terms of reference for these committees have been developed, communicated and properly implemented.

The frequency of meetings of the committees were as per following:

**Performance evaluation of Directors on the Board**

The Board of Directors of your company comprises of highly professional individuals, with due representation of female members, along with both executive and non-executive members. All members possess reasonable qualifications, high caliber and rich diversified experience. Furthermore, they also have in-depth knowledge of business processes and strategic vision.

The board has developed and adopted structured criteria and processes to evaluate its own performance, as well as individual performances of every member and their respective contribution towards common objectivity of achieving excellence at every level. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to these questionnaires are discussed in detail after being complied at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating to policies, international standards and best practices.

While developing respective committees, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

**Director's Training**

Executive director is adequately trained to perform his duties and responsibilities under the Companies Act, 2017.

**Board meetings and attendance by each director**

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

Director	Board of Directors	Board Audit Committee	HR Committee
Mr. Raza Kuli Khan Khattak	6/6	N/M	1/1
Mr. Ahmed Kuli Khan Khattak	4/6	3/5	0/1
Dr. Shaheen Kuli Khan Khattak	3/6	N/M	N/M
Mr. Gohar Ayub Khan	5/6	5/5	N/M
Mrs. Shahnaz Sajjad Ahmed	5/6	N/M	N/M
Mr. Sikandar Kuli Khan Khattak	4/6	N/M	N/M
Saad Waheed <i>(Resigned: 14/05/19)</i>	5/6	4/5	1/1
Major (Retd) Muhammad Zia: <i>(Resigned: 07/05/19)</i>	3/6	N/M	N/M
Dr. Hamid Zeb Khan	3/6	N/M	N/M
Mr. Zahid Said <i>(appointed on 26/06/19)</i>	0/6	0/5	0/1
Mr. Omar Khan Afridi <i>(appointed on 26/06/19)</i>	0/6	N/M	N/M

\* N/M – non-member of committee

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

**Remuneration to Directors**

Details of remuneration paid to directors of the company during the year are provided in the financial statements. Only meeting fee is paid to non-executive directors. We are also formulating comprehensive policy for it in line with the guidelines provided in Code of Corporate Governance Regulations and Companies Act, 2017.

**Health, Safety and Environment**

We feel our responsibility towards health and safety of our dedicated employees. Proper first aid medical assistance is provided at dispensary located at our premises in case of any injury. We are trying to establish and maintain best possible health, safety and cleanliness standards both at our premises as well as in nearby localities.

**Correspondence with stakeholders**

The company's operational and financial results are placed on its official website [www.bcm.com.pk](http://www.bcm.com.pk), for the following accounting periods:

- Quarterly;
- Half-yearly; and
- Annual

**Subsequent events**

No material financial event took place subsequently to close of this financial year 2018-2019, having any adverse impact over financial position of the Company.

**Corporate social responsibility**

We strongly feel the importance in service to humanity and try to ensure that best possible benefits should pass on to the deserving. We also encourage our strategic team members to dedicate their time for active participation in such activities.

**Status of Financial Facilities**

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

**Key Operating and Financial Data (Six Years Summary)**

Summarized key operating and financial results for last six years is annexed in the financial statements.

**Pattern of Shareholding**

The statement of pattern of shareholding of the company as at June 30, 2019 is attached with the Annual Report.

**Future Prospects**

We do expect following changes to be faced by the Textile Industry as a whole, in coming period, due to which the cost of doing business will increase:

- Sui gas tariff increase;
- WAPDA cost per unit escalation;
- Minimum wage increase;
- Applicability of sales tax on the entire textile sector value chain;
- Imposition of custom duty on imported cotton;
- Rupee devaluation thereby increasing cost of imported raw material; and
- Increase in borrowing cost (through escalation in SBP base rate).

There is strong anticipation of reduced cotton crop production at domestic level due to turnover advantage and support price of other commodities, pushing trading prices towards higher end. Sowing of cotton for the season 2018-19 has also been affected due to accelerated imports. Therefore, Government has re-imposed custom duty on imported cotton with effect from August 01, 2019 which will increase imported cotton purchase cost but also act as a favorable factor for local farmers and industry. Bail-out package with IMF has resulted in imposition of new taxes, new requirements to bring undocumented economy into tax net, increased cost of borrowings, devaluation of Pak rupee; all of these have created an imbalance in the economy subsequent to the year-end. All these impacts will be monitored by us closely and we shall try to hedge possible uncertainties by acquiring an efficient raw material blend costs, exploring new markets and strengthening our places therein, along with best possible efficiencies of our workforce and machinery setup. 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. Despite of these problems, our company has great potential for improvement due to its lower debt structure, comparatively lower conversion costs, and recent improvements in our machinery setup. 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.

#### **Company's Contribution 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 30-06-2019.

1.	<b><u>Government Sector</u></b>	<b><u>Rs. In Million</u></b>
	(i) Income tax & sales tax	38.489
	(ii) Power & Fuel	237.296
	(iii) Financial institution/Banks	115.890
2.	<b><u>Social Sector</u></b>	
	Employees/Workers salaries/Wages and other benefits	364.957

We have provided an employment to 1,069 permanent workers on an average during the financial year. 1,069 families with an average 5 family members (in the most affected area of KPK province) the employment cost comes to approx. Rs.365 million.

#### **Comment on "Emphasis of Matter Paragraph" in the Auditor's Report**

The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as the Honorable Supreme Court of Pakistan. The PHC has granted us a stay order against recovery of GIDC which is in force. The legal counsel hired by the APTMA has informed that our grounds of appeals in this case are quite strong and valid enough. We are, therefore, hopeful that the decision of the Courts will be in favor of the Industry. The High Court and Honorable Supreme Court of Pakistan in our earlier appeals have already declared the GIDC Act, 2011 and GIDC Ordinance, 2014 as an unconstitutional and we are of the considered opinion that GIDC Act, 2015 will also be struck down by the learned courts.

#### **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 in achieving the best possible operating and financial results, are also gratefully acknowledged.

On behalf of the Board of Directors

*S. K. K. Khattak*

**Sikandar Kuli Khan Khattak**  
Director

*Raza K. K. Khattak*

**Raza Kuli Khan Khattak**  
Chief Executive Officer

28th October, 2019

## ڈائریکٹرز رپورٹ برائے حصداران

کمپنی کے ڈائریکٹرز 49 ویں سالانہ رپورٹ 30 جون 2019 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۔ 30 جون 2018 کو ختم ہونے والے پچھلے سال کے اعداد و شمار (جیسا کہ 30 جون 2019 کو ختم ہونے والے مالی سال کے حسابات میں دوبارہ بیان ہوا ہے) موازنہ کے لئے شامل ہیں۔ کمپنی کا مجموعی جائزہ:

آپ کی کمپنی کی اصولی سرگرمی رنگ سپن دھاگے کی میڈیم سے فائن کاؤٹس رینج کی مینوفیکچرنگ ہے۔ جیسا کہ 30/1 سے 80/1 دونوں کارڈیڈ اور کومب۔ ہمارا کسٹمر بیس بنیادی طور پر سوتز بننے کی صنعت کے شپیل اور ایئر جیٹ سیگمنٹ پر مبنی ہے۔ ہمارے پاس رنگ سپننگ سے حاصل شدہ فضلے سے 8/1 سے 12/1 اوپن اینڈ دھاگہ بنانے کی صلاحیت موجود ہے۔ مالیاتی نتائج:

موجودہ سال کے مالی نتائج بمقابلہ سابقہ سال حسب ذیل ہیں

سال 30 جون کو ختم ہوا،

2018	2019	
(دوبارہ بیان کردہ)		
		روپے ہزاروں میں
1,890,012	2,218,285	خالص فروخت
(33,522)	121,480	مجموعی (خسارہ) منافع
(112,759)	19,901	خسارہ
(45,081)	(115,890)	مالی لاگت
(84,477)	(95,379)	ٹیکس سے پہلے خسارہ
(84,439)	(39,018)	ٹیکس کے بعد خسارہ
		-----روپے-----

خسارہ فی حصص:

(23.12)

(10.68)

بنیادی اور پتلا نقصان فی شیئر - روپے

دوبارہ بیان:

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کمپنیز ایکٹ 2017 کے سیکشن 474 کے اپنے نوٹس کے تحت کمپنی کے بورڈ آف ڈائریکٹرز کو ہدایت کی ہے کہ وہ ڈیفالٹس کو سدھارے اور مالی بے ضابطگیوں پر بیرونی آڈیٹرز کی نظر ثانی شدہ رائے کا بننے والی بے ضابطگیوں بھی کمپنی کے 30 جون 2018 کو ختم

ہونے والے سال کے لئے ختم کیا جائے۔ اس مقصد کے لئے، کمپنی نے ایسوسی ایٹڈ کمپنی میں ہماری سرمایہ کاری کی قیمت کا اندازہ لگانے کے لئے آزاد قیمتوں سے متعلق مشیروں، میسرز عامر سلمان رضوان، چارٹرڈ اکاؤنٹنٹس ایک کیو آر ریویٹڈ فرم، کی خدمات انجام دینے کا عزم کیا ہے۔ اس تشخیص کے اثرات IAS-8 کی ضروریات کے مطابق سابقہ مضامین کے لئے محاسب کیے گئے ہیں۔

ڈیویڈنڈ کی تخصیص:

مالی وعدوں کے مد نظر رکھتے ہوئے اور اس عرصہ میں ہونے والے نقصانات کی وجہ سے، کمپنی اپنے حصص یافتگان کو کوئی منافع ادا نہیں کر سکتی ہے۔

مالیاتی نقطہ نظر:

پچھلے سال کے مقابلہ میں رواں مالی سال میں بہتر کارکردگی دکھائی گئی ہے۔ کمپنی کے کاروبار میں 17.37 فیصد اضافہ ہوا ہے اور 2 ارب روپے سے تجاوز کر گیا ہے جو پچھلے 5 سالوں میں فروخت کے ریکارڈ میں اعلیٰ کامیابی کی عکاسی کرتا ہے۔ ہماری انتظامیہ کی انتھک کوششوں کے ساتھ، ہم کمپنی کو مجموعی اور آپریشنل نقصان کی پوزیشن سے متعلق منافع میں نکالنے میں کامیاب ہو گئے ہیں۔ تاہم، کمپنی نے سال کے دوران بڑی مالیات حاصل کیں جس کے نتیجے میں اس کی فنانس لاگت میں 157 فیصد اضافہ ہوا ہے جو ٹیکس سے پہلے کمپنی کے آپریشنل منافع کو خالص نقصان میں تبدیل کرنے میں فیصلہ کن عنصر کے طور پر بھی کام کرتا ہے۔

رواں مالی سال کے دوران ہونے والے نقصان کی بڑی وجہ فنانس لاگت میں اضافہ ہے جیسا کہ اوپر بتایا گیا ہے۔ کمپنی نے یہ مالی اعانت اپنے کپیٹلس پروگرام کو فنڈ دینے کے لئے حاصل کی ہے جس کے نتیجے میں 200 ملین روپے کا اضافہ پلانٹ اور مشینری اور سوت کی کارکردگی کے معیار کو بہتر بنانے کے لئے ہوا ہے۔ مالی سال کی پہلی ششماہی میں، آپ کی کمپنی نے اسی عرصے میں مجموعی منافع کا مارجن (G.P. مارجن) 2.83 فیصد حاصل کیا ہے جبکہ اس سے اسی عرصے میں (4.98 فیصد) نقصان کے مقابلہ میں۔ تاہم، آپ کی کمپنی کا نظم و نسق مثبت نتائج سے باز نہیں آ رہا ہے اس کی بجائے انہوں نے بہتر نتائج کے لئے سخت جدوجہد کی ہے جس کے نتیجے میں مالی سال کے دوسرے نصف حصے میں G.P. مارجن 8 فیصد رہ گیا ہے اور مجموعی طور پر G.P. مارجن 5.48 فیصد ہے۔ یہ ذکر کرنا مناسب ہے کہ آپ کی کمپنی نے زیر غور سال کے دوران ہر سطح پر اخراجات کو کم کرنے کی کوشش کی ہے اور انشاء اللہ بعد کے سالوں میں بہتر نتائج حاصل ہوں گے۔

ہم نے اپنی مارکیٹنگ اور پروڈکشن ٹیموں میں نئے پیشہ ور افراد کو بھی شامل کیا ہے اور مسلسل تحقیق و ترقی کے لئے اہم کوششیں کر رہے ہیں۔ ہمیں امید ہے کہ ان اقدامات سے ہمارے خام مال کی لاگت کو معقول سطح پر کم کیا جائے گا اور آنے والے مہینوں میں مجموعی مارجن زیادہ ہو جائیں گے۔ ہم اپنی تیار شدہ مصنوعات کے لئے مختلف مارکیٹوں میں داخل ہونے کے لئے بھی کام کر رہے ہیں، فیصل آباد مارکیٹ پر اپنی انحصار کم کرتے ہوئے۔ کمپنی کی انتظامیہ ٹیکسٹائل کی صنعت میں موجودہ چیلنجوں سے پوری طرح واقف ہے اور امید ہے کہ اس کی کاوشیں کامیاب ہوں گی۔ بورڈ آف ڈائریکٹرز ان حقائق سے آگاہ ہے اور اپنے اسٹیک ہولڈرز کے مفادات کے تحفظ کے لئے تمام ضروری اقدامات کرنے کی کوشش کر رہا ہے۔

کمپنی نے رواں سال کے دوران جانا دی ملوچو ٹیکسٹائل ملز لمیٹڈ (ایک ایسوسی ایٹڈ کمپنی) کے منافع میں سے ایک ارب کا حساب کتاب کیا ہے، جس میں 2018 میں 5.222 ملین روپے کا نقصان ہوا تھا۔ ہم ہر سطح پر لاگت میں کمی کے اقدامات کے ذریعے ان اخراجات کو کم کرنے کے لئے پوری توجہ سے مرکوز اور پوری طرح پر عزم ہیں۔

## ٹیکسٹائل انڈسٹری کا جائزہ:

ہماری ٹیکسٹائل انڈسٹری کو مطلوبہ GDP Growth اور برآمد کے اہداف کے حصول میں اہم معاشی اور حکمرانی کے امور اور چیلنجوں کا سامنا ہے۔ اس کے باوجود 2018-19 کی اقتصادی سروے کے مطابق، پاکستان کی سب سے بڑی برآمدی صنعت ابھی بھی اس کی ٹیکسٹائل انڈسٹری ہے۔ اگرچہ حالیہ سہ ماہی کے دوران پاکستانی روپے کی قدر میں 15 فیصد کمی واقع ہوئی ہے جو ٹیکسٹائل برآمد کنندگان کے لئے تو فائدہ مند ہے لیکن اس اقدام سے درآمد شدہ خام مال کے بنانے کی لاگت میں اضافہ ہوا جو کہ تیار کردہ مصنوعات کا ایک بہت بڑا حصہ ہے۔ مزید بڑا آں لاگت، توانائی، مزدور اور دیگر اخراجات مسلسل بڑھ رہی ہیں۔ مالی سال کے دوسرے نصف حصے میں کبیر میں بھی 20 فیصد سے زیادہ اضافہ ہوا ہے۔ ہمارے سپڈنگ طبقہ کو عمدہ گنتی کی حد میں کام کرتے ہوئے درآمد شدہ خام مال پر کافی انحصار کرنا پڑتا ہے، جو اضافی درآمد / کسٹم ڈیوٹی کے تابع ہوتے ہیں اس طرح ان پٹ لاگت میں 5 فیصد سے زیادہ اضافہ ہو جاتا ہے، سوت کی برآمدات میں کمی کی وجہ سے مقامی سطح پر تیرا سوت کی وافر سپلائی مقامی مارکیٹ میں دستیاب ہے، جس میں ہندوستانی کم لاگت سوت کی درآمد اور افغان راہداری کے غیر قانونی راستے سے غیر قانونی اسمگلنگ بھی بڑھی ہے، یوں سوت کی قیمتوں میں زبردست کمی واقع ہوئی ہے۔

پڑوسی ممالک کے مقابلے میں بحلی کی اعلیٰ پیداوار اور مزدوری لاگت کے ساتھ ساتھ سیلز ٹیکس کی واپسی میں پھنس جانے والی بھاری مقدار میں بھی اس شعبے کو درپیش دیگر چیلنجز کا سامنا ہے۔ اگرچہ حکومت نے سیلز ٹیکس کی واپسی کی ادائیگی میں تیزی لانے کے لئے سیلز ٹیکس ریفرنڈ بانڈ اسکیم متعارف کراتے ہوئے مثبت قدم اٹھایا ہے لیکن بانڈز کی چٹنگی کی مدت 3 سال ہے۔ مزید یہ کہ ایس آر او 1125 کو کالعدم قرار دے کر اس شعبے پر 17 فیصد سیلز ٹیکس لگانے سے پوری ویلیو چین پر مزید گھماؤ اثر پڑا ہے۔

آپریٹنگ ورکنگ کپٹل سائیکل کو پورا کرنے کے لئے آپریشنل کیش فلو کو سنبھالنے کے لئے ٹیکسٹائل کمپنیوں کے لئے لائف لائن ان کی اپنی معاشی طاقت ہے، چاہے وہ اسپانسرز کے ذریعہ ان کے داؤ کی بڑھتی ہوئی تناسب یا مالی اداروں سے کچھ سبسڈی والے قرضوں کے ذریعے۔ ایک ہی وقت میں، معیار کے پیرامیٹرز کے معاملے میں مارکیٹ شیئر کو برقرار رکھنے کے لئے موجودہ منظر نامے میں تکنیکی ترقی، اپ گریڈیشن اور بی ایم آر پلان بھی ناگزیر ہو چکے ہیں۔ ہمیں ہندوستان، چین، بنگلہ دیش اور ویتنام کے غیر ملکی کے علاوہ مقامی منڈیوں میں بھی شدید مقابلہ کا سامنا ہے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کے طریقے:

کمپنی کے ڈائریکٹرز اس بات سے خوش ہیں کہ آپ کی کمپنی (SECP) سیکورٹی اینڈ اینچینج کمیشن آف پاکستان کی جاری کردہ کمپنیوں کی لسٹ (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2017 کے طرز عمل کے مطابق ہے۔

بورڈ نے مزید بیان دیا ہے کہ:

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی رپورٹ اسکے معاملات کی بہتر حیثیت، اسکے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو واضح طور پر پیش کرتی ہے۔
- 2- کمپنی نے حسابات کی کتابیں موزوں طریقے سے رکھی ہیں۔



- ۲۔ جناب عمر خان آفریدی  
 ۳۔ جناب ڈاکٹر حامد زبیر  
 ۲۔ دوسرے نان ایکٹو ممبر ڈائریکٹرز  
 ۱۔ جناب احمد قلی خان خٹک  
 ۲۔ جناب گوہر ایوب خان  
 ۳۔ مسسر شہناز سجاد احمد  
 ۴۔ ڈاکٹر شاہین قلی خان خٹک  
 ۳۔ ایگزیکٹو ڈائریکٹر  
 ۱۔ جناب رضا قلی خان خٹک  
 ۲۔ جناب سکندر قلی خان خٹک  
 ۴۔ مندرجہ ذیل ڈائریکٹرز نے سال کے دوران استعفیٰ دے دیا ہے۔  
 ۱۔ جناب میجر (ر) محمد ضیاء (resigned: May 07, 2019)  
 ۲۔ جناب سعد وحید (resigned: May 14, 2019)

بورڈ کی کمیٹیوں کی ساخت:

بورڈ نے مندرجہ ذیل دیئے گئے ممبروں پر مشتمل کمیٹی قائم کی ہے۔

۱۔ آڈٹ کمیٹی

جناب زاہد سید (چیرمین)

جناب احمد قلی خان خٹک (رکن)

جناب گوہر ایوب (رکن)

جناب سعد وحید (Resigned)

۲۔ ایچ آر اینڈ ریمونریشن کمیٹی

جناب زاہد سید (چیرمین)

جناب احمد قلی خان خٹک (رکن)

جناب گوہر ایوب (رکن)

جناب سعد وحید (Resigned)

ان کمیٹیوں کے شرائط و ضوابط کو مقرر کیا گیا جس کو لاگو کرنے کے لئے اطلاع کر دی گئی۔

کمیٹیوں کے اجلاسوں کی انجام دہی مندرجہ ذیل شیڈول کے تحت کی گئی۔

۱۔ آڈٹ کمیٹی (سہ ماہی)

۲۔ ایچ آر اینڈ ریمینیوریشن کمیٹی (سالانہ)

بورڈ آف ڈائریکٹرز کی کارگردگی کا جائزہ:

آپ کے بورڈ آف ڈائریکٹرز انتہائی پیشہ ورانہ افراد پر مشتمل ہیں۔ ایکڑیکٹیو اور غیر ایکڑیکٹیو ارکان کے خواتین کے اراکین کی نمائندگی۔ تمام اراکین مناسب قابلیت، اعلیٰ صلاحیت اور وسیع تجربہ رکھتے ہیں۔ اس کے علاوہ ان کے کاروباری نقطہ نظر میں بھی گہرائی کا علم ہے۔

بورڈ نے ایک ایسے معیار کا تعین کیا ہے جس کے تحت وہ اپنی کارگردگی کا اندازہ کرنے کے ساتھ ساتھ ہر رکن کے انفرادی پرفارمنس اور ہر سطح پر کامیاب ہونے اور ایک ہی مقصد کے حصول کے لئے اسکی شراکت کا اندازہ کرنے کے عمل کو اپنایا ہے۔ کمپنی کے اہداف کو یقینی بنانے کے لئے اس سلسلے میں جامع سوالنامہ تیار کیا گیا ہے۔ ان سوالناموں کے جوابات کو مختلف بورڈ کے اجلاسوں پر عمل کرنے کے بعد تفصیل سے اس پر تبادلہ خیال کیا جاتا ہے۔ بورڈ کا سب سے اہم کردار یہ ہے کہ اسکی ذمہ داریوں کو پورا کرنے میں اس کی کارگردگی کو یقینی بنانا، انتظامیہ کی رہنمائی کرتے ہوئے اسکے نقطہ نظر کے مطابق اہداف مقرر کرنا کہ وہ بین الاقوامی معیار اور بہترین طریقوں کو اپناتے ہوئے قانونی تعمیل کر سکیں۔

متعلقہ کمیٹیوں کو ترقی دیتے ہوئے، بورڈ نے ہر کمیٹی کے حوالے سے کچھ شرائط کے ذریعے مخصوص کردار، ہدایات اور ذمہ داریاں قائم کی ہیں۔ بورڈ کی مجموعی کارگردگی اطمینان بخش ہے۔

ڈائریکٹرز کی تربیت

کمپنی ایکٹ، 2017 کے تحت ایکڑیکٹیو ڈائریکٹرز کو اپنی ذمہ داریاں اور فرائض انجام دینے کے لئے مناسب طریقے سے تربیت دی جاتی ہے۔

ہر ڈائریکٹر کی طرف سے بورڈ اجلاسوں میں حاضری:

سال کے دوران مندرجہ ذیل میٹنگوں کو منعقد کیا گیا۔

ہر ڈائریکٹر کی طرف سے میٹنگ میں شرکت کی تعداد درج کی گئی۔

ڈائریکٹر	بورڈ آف ڈائریکٹر	بورڈ آڈٹ کمیٹی	ایچ آر کمیٹی
جناب رضا قلی خان خٹک	6/6	N/M	1/1
جناب احمد قلی خان خٹک	4/6	3/5	0/1
ڈاکٹر شاپین قلی خان خٹک	3/6	N/M	N/M
جناب گوہرا یوب خان	5/5	5/5	N/M
مس سر شہناز سجاد احمد	5/6	N/M	N/M
جناب سکندر قلی خان خٹک	4/6	N/M	N/M
سعد وحید (Resigned: 14/05/19)	5/6	4/5	1/1
میجر (ر) محمد ضیاء (Resigned: 07/05/19)	3/6	N/M	N/M
ڈاکٹر حامد زیب خان	3/6	N/M	N/M
جناب زاہد سید (appointed on 26/06/19)	0/6	0/5	0/1
جناب عمر خان آفریدی (appointed on 26/06/19)	0/6	N/M	N/M

N/M - non-member of committee

\*ڈائریکٹرز کی درخواست جس میں انہوں نے ذاتی مصروفیات کی بناء پر اجلاس میں حاضر ہونے سے معذرت کی جس کو قبول کیا گیا۔

ڈائریکٹرز کا معاوضہ:

بورڈ کی اجازت سے آزاد اور غیر ایکٹو ڈائریکٹر اجلاس میں حاضر ہونے پر بورڈ کی مقرر کردہ فیس لے سکتے ہیں۔ ہم کارپوریٹ گورننس ریگولیشن اور کمپنیز ایکٹ 2017 میں دی گئی ہدایات کے مطابق ہم اس کے لئے جامع پالیسی تشکیل دے رہے ہیں۔

صحت، سیفٹی اور ماحول:

ہم اپنے ملازمین کی صحت اور حفاظت کو اپنی ذمہ داری محسوس کرتے ہیں۔ کسی بھی چوٹ کی صورت میں ہمارے احاطے میں واقع ڈسپنسری پر ہم مناسب طبی امداد فراہم کرنے کی سہولت فراہم کرتے ہیں۔ ہم اپنے اردگرد اور احاطہ کے اندر دونوں میں موجود انسانوں کی صحت، حفاظت اور صفائی کے معیار کو قائم کرنے اور سے برقرار رکھنے کی کوشش کر رہے ہیں۔

متعلقین کے ساتھ خط و کتابت:

کمپنی کے آپریشنل اور مالیاتی نتائج درج ذیل اکاؤنٹنگ مدت کے لئے، اپنی ویب سائٹ [www.bcm.com.pk](http://www.bcm.com.pk) پر رکھی جاتی ہیں۔

۱۔ سہ ماہی

۲۔ نصف سالانہ اور

۳۔ سالانہ

بعد میں واقعات:

مالی سال 2018-2019 کے قریب ہونے کیے بعد میں کوئی مالیاتی واقعہ نہیں ہوا جس سے مالی پوزیشن پر کوئی منفی اثر پڑتا ہے۔

کارپوریٹ سماجی ذمہ داری:

ہم انسانیت کی خدمت کو ہم سمجھتے ہیں اور اس بات کو یقینی بنانے کی کوشش کرتے ہیں کہ ممکنہ فوائد کو مستحق تک پہنچا سکیں۔ ہم اپنے سٹریٹیجک فعال ٹیم کے ممبران کو بھی ان سرگرمیوں میں فعال شرکت کرنے کے لئے وقت کو متعین کر کے ان کی حوصلہ افزائی کرتے ہیں۔

مالی سہولیات کیا حیثیت:

سال کے دوران کمپنی نے جائزہ رپورٹ میں اپنے تمام وعدوں کو پورا کیا۔

کلیدی آپریٹنگ اور مالیاتی ڈیٹا (چھ سال کا خلاصہ)

گزشتہ 6 سال کے لئے کلیدی آپریٹنگ اور مالیاتی نتائج حسابات میں شامل ہیں۔

شیر ہولڈنگ کا طریقہ کار:

30 جون، 2019 کو شیر ہولڈنگ کے طریقہ کار کی سٹیٹمنٹ منسلک کی گئی۔

مستقبل کے امکانات:

ہم توقع کرتے ہیں کہ آنے والے عرصے میں مجموعی طور پر ٹیکسٹائل انڈسٹری کو درج ذیل تبدیلیوں کا سامنا کرنا پڑے گا، جس کی وجہ سے کاروبار کی لاگت میں کافی اضافہ ہوگا۔

- سوئی گیس ٹیرف میں اضافہ

- واپڈا کی قیمت میں فی یونٹ اضافہ

- کم از کم اجرت میں اضافہ

- پورے ٹیکسٹائل سیکٹر ویلیو چین پر سیلز ٹیکس کا اطلاق

- درآمد شدہ روئی پر کسٹم ڈیوٹی لگانا

- روپے کی قدر میں کمی اس طرح درآمد شدہ خام مال کی قیمت میں اضافہ: اور

- ادھار لاگت میں اضافہ (ایس بی پی بیس ریٹ میں اضافے کے ذریعے)

کاروبار میں فائدہ اور دوسری اشیاء کی معاون قیمت کے باعث مقامی سطح پر کپاس کی فصل کی پیداوار میں کمی کی توقع کی جا رہی ہے، جس سے تجارتی قیمتوں کو اونچے مقام کی طرف دھکیل دیا جائے گا۔ تیز درآمدات کی وجہ سے 2018-19 کے سیزن کے لئے روئی کی بوائی بھی متاثر ہوئی ہے۔ لہذا، حکومت نے درآمد شدہ روئی پر 01 اگست 2019 سے دوبارہ کسٹم ڈیوٹی نافذ کر دی ہے جس سے درآمد شدہ کپاس کی خریداری کی لاگت میں اضافہ ہوگا بلکہ مقامی کاشتکاروں اور صنعتوں کے لئے ایک سازگار عنصر کے طور پر بھی کام کیا جائے گا۔ آئی ایم ایف کے ساتھ بیل آؤٹ پیکیج کے نتیجے میں نئے ٹیکس لگائے گئے، غیر دستاویزی معیشت کو ٹیکس میٹ میں لانے کے لئے نئی ضرورتیں، قرضوں کی لاگت میں اضافہ، پاک روپے کی قدر میں کمی، ان سب نے سال کے اختتام کے بعد معیشت میں عدم توازن پیدا کیا ہے۔ ان تمام اثرات کی ہماری قریب سے نگرانی کی جائے گی اور ہم اپنی افرادی قوت اور مشینری سیٹ اپ کی بہترین ممکنہ صلاحیتوں کے ساتھ ساتھ، ایک موثر خام مال مرکب لاگت حاصل کر کے، نئی منڈیوں کی تلاش اور اس میں اپنے مقامات کو مستحکم کر کے ممکنہ غیر یقینی صورتحال کو دور کرنے کی کوشش کریں گے۔ اگرچہ موجودہ ماحول سازگار نہیں ہے لیکن پھر بھی انتظامیہ ہمارے ان پٹ لاگتوں میں خاطر خواہ کمی لانے کے لئے اپنی پوری کوشش کر رہی ہے، جس سے مجموعی مارجن میں بہتری آئے گی اور مثبت نچلے نتائج کو حاصل کرنے میں مدد ملے گی۔ ان پریشانیوں کے باوجود، ہماری کمپنی کے قرض کی کم ساخت، نسبتاً کم تبادلوں کے اخراجات، اور ہماری مشینری سیٹ اپ میں حالیہ بہتری کی وجہ سے بہتری کی بہت بڑی صلاحیت موجود ہے۔ انتظامیہ پر اُمید ہے کہ پیداوار اور سروس دونوں شعبوں میں کم لاگت منسوبہ بندی سے ہم اس تباہ کن مدت سے آنے والے مہینوں اپنی مالی پوزیشن کو بہتر بنانے کے قابل ہو جائیں گے۔

گورنمنٹ اور سوشل سیکٹر میں کمپنی کا تعاون:

1-	گورنمنٹ سیکٹر	روئے ملیں میں
(i)	انکم ٹیکس اور سیلز ٹیکس	38.489
(ii)	بجلی اور ایندھن	237.296
(iii)	مالیاتی ادارہ/بنک	115.890

## 2- سوشل سیلٹر

ملازمین / مزدوروں کی تنخواہ / اجرت اور دوسرے فوائد 364.957  
 ہم نے مالی سال کے دوران اوسطاً 1,069 مستقل کارکنوں کو روزگار فراہم کیا ہے۔ اوسطاً 5 خاندانی ممبران کے ساتھ 1,069 خاندان (کے پی کے صوبہ کے سب سے زیادہ متاثرہ علاقے میں) ملازمت کی لاگت قریب قریب 3 کروڑ 65 لاکھ روپے آجاتی ہے۔  
 آڈیٹرز کی رپورٹ میں معاملہ پیرگراف پر تبصرہ:

جی آئی ڈی سی ایشیو کوئی الحال پشاور ہائی کورٹ (پی ایچ سی) کے ساتھ ساتھ سپریم کورٹ آف پاکستان میں بھی چیلنج کیا گیا ہے۔ پی ایچ سی نے ہمیں جی آئی ڈی سی کی بازیابی کے خلاف حکم امتناعی دے دیا ہے جو لاگو ہے۔ اے پی ٹی ایم اے کی خدمات حاصل کرنے کے لئے قانونی وکیل نے آگاہ کیا ہے کہ اس معاملے میں ہماری اپیلوں کی بنیادیں کافی مضبوط اور کافی حد تک درست ہیں۔ لہذا ہمیں امید ہے کہ عدالتوں کا فیصلہ انڈسٹری کے حق میں ہوگا۔ ہائی کورٹ اور معزز سپریم کورٹ آف پاکستان نے ہماری سابقہ اپیلوں میں جی آئی ڈی سی ایکٹ 2011 اور جی آئی ڈی سی آرڈیننس 2014 کو پہلے ہی غیر آئینی قرار دے دیا ہے اور ہمارے خیال میں یہ ہے کہ جی آئی ڈی سی ایکٹ 2015 کو بھی سیکھنے والی عدالتوں کے ذریعے ختم کیا جائے گا۔  
 آڈیٹرز کی تقرری:

کمپنی کے موجودہ آڈیٹرز شائن ونگ حمید چوہدری اور کمپنی چارٹرڈ اکاؤنٹنٹس ایچ، ایم ہاؤس 7 بینک سکور لہور 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 ہمارے صارفین، سپلائرز، بینکوں اور دیگر حصول کے ذریعہ ہمارے ساتھ مسلسل مسلسل حمایت کے لئے اس کی تعریف کرتے ہیں۔ ممکنہ آپریٹنگ اور مالیاتی نتائج حاصل کرنے میں ہماری انتظامیہ کی طرف سے فراہم کردہ قیمتی خدمات کو قدر کی نگاہ سے دیکھتے ہیں۔

## کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

Raza K. Khan

رضاقلی خان خٹک

چیف ایگزیکٹو آفیسر

S. K. K. Khattak

سکندر قلی خان خٹک

ڈائریکٹر

## SUMMARY OF KEY OPERATING AND FINANCIAL DATA


		2013	2014	2015	2016	2017	2018	2019
<b>CAPACITY AND PRODUCTION</b>								
Spindles installed	Nos	53,040	53,040	53,040	53,040	53,040	50,160	<b>53,256</b>
Average spindles worked during the year	Nos	51,690	51,905	50,777	49,598	49,566	49,212	<b>50,464</b>
Production for the year/period	Lbs in million	9.970	10.372	10.447	8.995	9.418	8.497	<b>9.007</b>
Average count spun during the year/period		51.11	51.30	49.08	56.38	54.51	58.86	<b>57.87</b>
<b>PROFIT AND LOSS ACCOUNT</b>								
Net Sales	Rupees in million	2,064.442	1,927.396	1,757.969	1,444.247	1,649.638	1,890,012	<b>2,218,285</b>
Gross Profit / (Loss)	Rupees in million	450.017	233.713	(6.285)	31.481	55.098	(33,522)	<b>121,480</b>
	%	21.80	12.13	(0.36)	2.18	3.34	(1.77)	<b>5.48</b>
Operating Profit / (Loss)	Rupees in million	331.442	142.465	(76.329)	(23,351)	(22.863)	(112,759)	<b>19,901</b>
	%	16.05	7.39	(4.34)	(1.62)	(1.39)	(5.97)	<b>0.90</b>
Profit / (Loss) before taxation	Rupees in million	302.336	113.915	(123.803)	(50,769)	(47.519)	(48.477)	<b>(95.379)</b>
	%	14.64	5.91	(7.04)	(3.52)	(2.88)	(8.35)	<b>(4.33)</b>
Profit / (Loss) after taxation	Rupees in million	215.388	82.020	(84.199)	(12.472)	(28.989)	(84,439)	<b>(39,018)</b>
	%	10.43	4.26	(4.79)	(0.86)	(1.76)	(4.47)	<b>(1.76)</b>
Earning/ (loss) per share-restated	Rupees	58.98	22.46	(23.43)	(3.41)	(8.02)	(23.12)	<b>(10.68)</b>
<b>BALANCE SHEET</b>								
Shareholders' equity (excluding surplus on revaluation of fixed assets)	Rupees in million	591.066	673.113	607.039	776.860	932.265	915.635	<b>898.868</b>
Term finance certificates	- do-	35.301	16.474	-	-	-	-	-
Demand finances/ bills payable	- do-	54.422	23.323	-	-	-	-	-
Liabilities against assets subject to finance lease	- do-	21.516	-	50.386	33,052	13.824	-	-
Operating fixed assets	- do-	1,305.295	1,374.837	1,350.262	1,557.748	1,522.610	1,584.212	<b>1,714.667</b>
Additions in fixed assets	- do-	12.204	120.706	37.328	49,038	24.319	132.870	<b>197.361</b>
Current assets	- do-	437.584	698.576	407.179	457.202	723.756	815.533	<b>1,063.252</b>
Current liabilities	- do-	299.397	571.684	346.710	467.523	771.525	1,037.531	<b>1,407.826</b>
Break up value per share	Rupees	161.84	184.31	166.21	166.31	164.71	372.52	<b>361.86</b>
Employees at year end	Nos.	1,110	1,285	1,195	1,190	1,201	1,091	<b>1,072</b>

Pattern of Shareholding As At June 30, 2019

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1,023	1	100	25,237	0.69
364	101	500	83,833	2.30
85	501	1,000	60,943	1.67
85	1,001	5,000	169,792	4.65
14	5,001	10,000	87,593	2.40
4	10,001	15,000	54,810	1.50
2	15,001	20,000	36,213	0.99
2	20,001	25,000	44,152	1.21
1	25,001	30,000	29,052	0.80
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
<b>1,587</b>			<b>3,652,178</b>	<b>100.00</b>

\* Note: The slabs representing nil holding have been omitted.

Categories of Shareholders	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouses and minor children	45,825	1.25
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)	1,428,876	39.12
Other Companies	22,592	0.62
Administrator Abandoned Properties	1,728	0.05
	<b>3,652,178</b>	<b>100.00</b>

  
 Muhammad Ali Waqar  
 Company Secretary

## CATEGORIES OF SHAREHOLDER'S AS AT JUNE 30, 2019

SR #	CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
<b>1</b>	<b>Directors, CEO and their spouses and minor children</b>		
	Mr. Raza Kuli Khan Khattak (Chief Executive Officer)	13,982	0.383
	Mr. Ahmed Kuli Khan Khattak (Director)	13,981	0.383
	Mr. Gohar Ayub Khan (Director)	2,960	0.081
	Mrs. Shahnaz Sajjad Ahmad (Chairperson)	6,992	0.191
	Dr. Hamid Zeb Khan (Director)	918	0.025
	Mr. Sikandar Kuli Khan Khattak (Director)	-	0.000
	Dr. Shaheen Kuli Khan Khattak (Director)	6,992	0.191
	Mr. Muhammad Omer Khan Afridi (Director)	-	0.000
	Mr. Zahid Said (Director)	-	0.000
<b>2</b>	<b>Associated Companies, Undertaking and Related Parties</b>		
	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
<b>3</b>	<b>NIT &amp; ICP</b>		
	Investment Corporation of Pakistan	1,291	0.035
	CDC- Trustee National Investment (Unit) Trust	80,578	2.206
	IDBP (ICP UNIT)	193	0.005
<b>4</b>	<b>Banks, Development Financial Institutions, Non Banking Finance Institutions</b>	3,089	0.085
<b>5</b>	<b>Insurance Companies</b>		
	The New Jubilee Insurance Co Ltd	57	0.002
<b>6</b>	<b>Modarabas &amp; Mutual Funds</b>		
	First UDL Modaraba	1,150	0.031
<b>7</b>	<b>General Public (Local)</b>	1,428,876	39.124
<b>8</b>	<b>Others Companies</b>	22,592	0.619
<b>9</b>	<b>Administrator Abandoned Properties</b>	1,728	0.047
		<b>3,652,178</b>	<b>100.00</b>
<b>10</b>	<b>SHAREHOLDERS HOLDING 05% OR MORE</b>		
	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 Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

**For the year ended June 30, 2019**

Babri Cotton Mills Limited (the Company) has complied with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

1. The total number of directors are nine as per the following:
  - a) Male 7
  - b) Female 2
2. The composition of the Board of Directors (the Board) is as follows:

**Independent Directors**

  - a) Dr. Hamid Zeb Khan
  - b) Mr. Zahid Said
  - c) Mr. Omar Khan Afridi

**Other Non-executive Directors**

  - a) Mr. Ahmed Kuli Khan Khattak
  - b) Mr. Gohar Ayub Khan
  - c) Mrs. Shahnaz Sajjad Ahmed
  - d) Dr. Shaheen Kuli Khan Khattak

**Executive Directors**

  - a) Mr. Raza Kuli Khan Khattak
  - b) Mr. Sikandar Kuli Khan Khattak
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board, during the year, has arranged Directors' training program (DTP) for its director Dr. Shaheen Kuli Khan Khattak. Till June 30, 2019, three directors, on the board, have obtained DTP certification and three directors have obtained exemption from it.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

**Audit Committee**

- |                                |                 |
|--------------------------------|-----------------|
| a) Mr. Zahid Said              | <b>Chairman</b> |
| b) Mr. Ahmed Kuli Khan Khattak | <b>Member</b>   |
| c) Mr. Gohar Ayub Khan         | <b>Member</b>   |
| d) Mr. Saad Waheed (Resigned)  |                 |

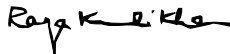
**Human Resource and Remuneration Committee**

- |                                |                 |
|--------------------------------|-----------------|
| a) Mr. Zahid Said              | <b>Chairman</b> |
| b) Mr. Raza Kuli Khan Khattak  | <b>Member</b>   |
| c) Mr. Ahmed Kuli Khan Khattak | <b>Member</b>   |
| d) Mr. Saad Waheed (Resigned)  |                 |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees were as per following:
 

a) Audit Committee	<b>Quarterly</b>
b) Human Resource and Remuneration Committee	<b>Yearly</b>
15. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and are registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

  
**Sikandar Kuli Khan Khattak**  
 Director

  
**Mr. Raza Kuli Khan Khattak**  
 Chief Executive

**INDEPENDENT AUDITORS' MODIFIED REVIEW REPORT ON THE  
STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES  
( CODE OF CORPORATE GOVERNANCE ) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **BABRI COTTON MILLS LIMITED** (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Further, we highlight below an instance of non-compliance with the requirements of the Regulations:

The Chief Financial Officer of the Company also held the office of the Company Secretary upto June 27, 2019.

**LAHORE;**  
**28 October, 2019**

*Shinewing Hameed Chaudhri & Co.*

**SHINEWING HAMEED CHAUDHRI & CO.,**  
**CHARTERED ACCOUNTANTS**  
Audit Engagement Partner: Nafees-ud-Din

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF BABRI COTTON MILLS LIMITED**

**Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **BABRI COTTON MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to note 27.1 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.539.315 million. Our report is not qualified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Investment in an Associated Company</b></p> <p>The Company has investment in an Associated Company - Janana De Malucho Textile Mills Ltd. [note 7]. As at June 30, 2019, the carrying amount of investment in above referred Associated Company amounted Rs.228.654 million.</p>	<p>Our procedures in relation to assessment of carrying value of investment in an Associated Company included the following:</p> <ul style="list-style-type: none"> <li>- Assessed the appropriateness of management's accounting for investment in an Associated Company.</li> <li>- Understood management's process for identifying the existence of impairment indicators in respect of investment in an Associated Company.</li> </ul>
	<p>The carrying value is higher by Rs.207.512 million in relation to the quoted market value of this investment. The Company carries-out impairment assessment of the value of investment where there are indicators of impairment.</p> <p>The Company has assessed the recoverable amount of the investment in an Associated Company based on the higher of the value-in-use and fair value. Value-in-use is based on valuation analysis carried-out by an independent external investment Advisors engaged by the management. The Valuer has used discounted free cash flow model, which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgment on both future cash flows and the discount rate applied to the future cash flows.</p> <p>In view of significant management judgment involved in the estimation of value in use, we consider this as a key audit matter.</p> <p><b>2. Contingencies</b></p> <p>The Company is subject to material litigations involving different Courts pertaining to Gas Infrastructure Development Cess and taxation, which requires management to make assessment and judgments with respect to likelihood and impact of such litigations on the financial statements of the Company.</p> <p>The management has engaged independent legal counsels on these matters.</p> <p>The assessment of provisioning against such litigations is a complex exercise and requires significant judgments to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessments are disclosed in note 27 to the financial statements.</p>	<ul style="list-style-type: none"> <li>- Evaluated the independent external investment Advisors' competence, capabilities and objectivity.</li> <li>- Assessed the valuation methodology used by the independent external investment Advisors.</li> <li>- Checked, on sample basis, the reasonableness of the input data provided by the management to the independent external investment Advisors in support of evidence.</li> <li>- Tested mathematical accuracy of cash flows projections.</li> <li>- Assessed the reasonableness of cash flow projections, challenging and performing audit procedures on assumptions such as growth rate, future revenue and costs, terminal growth rate and discount rate by comparing the assumptions to historical results, budgets and comparing the current year's results with prior year forecasts and other relevant information.</li> </ul> <p>In response to this matter, we performed following audit procedures:</p> <ul style="list-style-type: none"> <li>- Discussed legal cases with the internal legal department of the Company to understand the management's view point, obtained and reviewed the litigation documents to assess the facts and circumstances.</li> <li>- Obtained opinions from legal counsels dealing with such cases in the form of confirmations.</li> <li>- Evaluated the possible outcome of these legal cases in line with the requirements of IAS 37 (Provisions, contingent liabilities and contingent assets).</li> <li>- Disclosures of legal exposures and provisions were assessed for completeness and accuracy.</li> </ul>

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

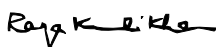
LAHORE;  
28th October, 2019

*Shinewing Hameed Chaudhri & Co.*  
**SHINEWING HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS**

**STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019**

	Note	(Restated)		(Restated)
		2019	2018	July 01, 2017
----- (Rupees in thousand) -----				
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	1,714,667	1,584,212	1,522,610
Investments in an Associated Company	7	228,654	228,008	155,871
Long term loans	8	41	535	603
Security deposits		1,033	1,109	1,033
		<u>1,944,395</u>	<u>1,813,864</u>	<u>1,680,117</u>
<b>Current assets</b>				
Stores, spares and loose tools	9	31,466	39,566	26,051
Stock-in-trade	10	885,385	672,394	614,915
Trade debts	11	308	369	285
Loans and advances	12	11,515	8,671	5,052
Prepayments		1,577	1,837	913
Other receivables	13	2,895	4,710	4,916
Sales tax refundable		79,971	34,545	25,599
Income tax refundable, advance tax and tax deducted at source		47,183	45,298	45,548
Cash and bank balances	14	2,952	8,143	477
		<u>1,063,252</u>	<u>815,533</u>	<u>723,756</u>
<b>TOTAL ASSETS</b>		<u><b>3,007,647</b></u>	<u><b>2,629,397</b></u>	<u><b>2,403,873</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Authorised capital	15	250,000	250,000	250,000
Issued, subscribed and paid-up capital	16	36,522	36,522	36,522
Capital reserves				
- share premium	17	15,096	15,096	15,096
- revaluation surplus on property, plant and equipment	18	898,868	915,635	932,265
Revenue reserves				
- general reserve	17	88,000	88,000	88,000
- gain on remeasurement of forward foreign exchange contracts	17	2,139	2,245	2,355
- unappropriated profit		280,886	302,936	378,068
<b>Shareholders' equity</b>		<u>1,321,511</u>	<u>1,360,434</u>	<u>1,452,306</u>
<b>Deferred income</b>		0	0	2,100
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long term finances	19	186,718	70,096	0
Staff retirement benefits - gratuity	20	81,520	78,326	69,140
Long term deposit	21	868	0	0
Deferred taxation	22	9,204	83,010	108,802
		<u>278,310</u>	<u>231,432</u>	<u>177,942</u>
<b>Current liabilities</b>				
Trade and other payables	23	373,287	272,552	171,230
Unclaimed dividends		2,431	2,431	2,431
Accrued interest / mark-up	24	33,407	15,326	8,792
Short term finances	25	929,483	726,128	561,030
Current portion of non-current liabilities	19	51,803	3,644	13,824
Taxation	26	17,415	17,450	14,218
		<u>1,407,826</u>	<u>1,037,531</u>	<u>771,525</u>
<b>Total liabilities</b>		<u>1,686,136</u>	<u>1,268,963</u>	<u>949,467</u>
<b>Contingencies and commitments</b>	27			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,007,647</b></u>	<u><b>2,629,397</b></u>	<u><b>2,403,873</b></u>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Raza Kuli Khan Khattak  
Chief Executive

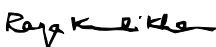
  
Noor-un-Nabi (ACA, APA)  
Chief Financial Officer

  
Sikandar Kuli Khan Khattak  
Director

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2019**

		(Restated)	
		2019	2018
		(Rupees in thousand)	
Sales	28	2,218,285	1,890,012
Cost of Sales	29	2,096,805	1,923,534
<b>Gross Profit / (Loss)</b>		<b>121,480</b>	<b>(33,522)</b>
Distribution Cost	30	16,539	14,173
Administrative Expenses	31	88,363	68,052
Other Expenses	32	340	4,268
Other Income	33	(3,663)	(7,256)
		101,579	79,237
<b>Profit / (Loss) from Operations</b>		<b>19,901</b>	<b>(112,759)</b>
Finance Cost	34	115,890	45,081
		(95,989)	(157,840)
<b>Share of Profit / (Loss) of an Associated Company</b>	7	610	(5,222)
<b>Impairment reversal on Investment in an Associated Company</b>	7	0	78,585
		610	73,363
<b>Loss before Taxation</b>		<b>(95,379)</b>	<b>(84,477)</b>
Taxation	35	(56,361)	(38)
<b>Loss after Taxation</b>		<b>(39,018)</b>	<b>(84,439)</b>
<b>Other Comprehensive Income / (Loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
- gain / (loss) on remeasurement of staff retirement benefit obligation	20	233	(14,401)
- impact of tax		(68)	4,176
		165	(10,225)
- share of other comprehensive income / (loss) of an Associated Company		54	(1,618)
- impact of tax		(16)	469
	7	38	(1,149)
		203	(11,374)
<b>Total Comprehensive Loss</b>		<b>(38,815)</b>	<b>(95,813)</b>
		----- Rupees -----	
<b>Loss per Share</b>	36	<b>(10.68)</b>	<b>(23.12)</b>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Raza Kuli Khan Khattak  
Chief Executive

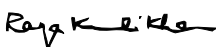
  
Noor-un-Nabi (ACA, APA)  
Chief Financial Officer

  
Sikandar Kuli Khan Khattak  
Director

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in thousand)	2018
<b>Cash flows from operating activities</b>			
Loss for the year - before taxation and share of profit / (loss) of an Associated Company		(95,989)	(157,840)
Adjustments for non-cash charges and other items:			
Depreciation		66,906	60,061
Loss on disposal of fixed assets		0	4,148
Deferred income credited		0	(2,100)
Amortisation of gain on forward foreign exchange contracts		(106)	(110)
Staff retirement benefits - gratuity (net)		3,359	(5,215)
Finance cost		113,994	43,893
<b>Profit / (loss) before working capital changes</b>		<b>88,164</b>	<b>(57,163)</b>
<b>Effect on cash flows due to working capital changes</b>			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		8,100	(13,515)
Stock-in-trade		(212,991)	(57,479)
Trade debts		61	(84)
Loans and advances		(2,844)	(3,619)
Prepayments		260	(924)
Other receivables		1,815	206
Sales tax refundable		(45,426)	(8,946)
Increase in trade and other payables		100,735	101,322
		<b>(150,290)</b>	<b>16,961</b>
<b>Cash used in operations</b>		<b>(62,126)</b>	<b>(40,202)</b>
Taxes paid		(19,365)	(13,968)
Long term loans - net		494	68
<b>Net cash used in operating activities</b>		<b>(80,997)</b>	<b>(54,102)</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure - net		(197,361)	(132,870)
Sale proceeds of operating fixed assets		0	7,059
Security deposits		76	(76)
Long term deposit		868	0
<b>Net cash used in investing activities</b>		<b>(196,417)</b>	<b>(125,887)</b>
<b>Cash flows from financing activities</b>			
Long term finances - net		164,781	73,740
Lease finances - net		0	(13,824)
Short term finances - net		203,355	165,098
Finance cost paid		(95,913)	(37,359)
<b>Net cash generated from financing activities</b>	45	<b>272,223</b>	<b>187,655</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5,191)</b>	<b>7,666</b>
<b>Cash and cash equivalents - at beginning of the year</b>		<b>8,143</b>	<b>477</b>
<b>Cash and cash equivalents - at end of the year</b>		<b>2,952</b>	<b>8,143</b>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Raza Kuli Khan Khattak  
Chief Executive

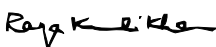
  
Noor-un-Nabi (ACA, APA)  
Chief Financial Officer

  
Sikandar Kuli Khan Khattak  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	Capital Reserves			Revenue Reserves			Total
	Share capital	Share premium reserve	Revaluation surplus on property, plant and equipment	General reserve	Gain on hedging instruments	Unappropriated profit	
----- Rupees in thousand -----							
Balance as at June 30, 2017	36,522	15,096	932,265	88,000	2,355	441,252	1,515,490
Impact of re-statement (note 5)	0	0	0	0	0	(63,184)	(63,184)
Balance as at July 01, 2017 - restated	36,522	15,096	932,265	88,000	2,355	378,068	1,452,306
<b>Total comprehensive loss for the year ended June 30, 2018:</b>							
- loss for the year	0	0	0	0	0	(84,439)	(84,439)
- other comprehensive loss	0	0	0	0	0	(11,374)	(11,374)
	0	0	0	0	0	(95,813)	(95,813)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(110)	0	(110)
Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation)							
- on account of incremental depreciation for the year	0	0	(15,335)	0	0	15,335	0
- upon sale of revalued plant and machinery	0	0	(3,906)	0	0	3,906	0
Resultant adjustment due to reduction in tax rate	0	0	4,128	0	0	0	4,128
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(1,517)	0	0	0	(1,517)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,440	1,440
Balance as at June 30, 2018 - restated	36,522	15,096	915,635	88,000	2,245	302,936	1,360,434
<b>Total comprehensive loss for the year ended June 30, 2019:</b>							
- loss for the year	0	0	0	0	0	(39,018)	(39,018)
- other comprehensive income	0	0	0	0	0	203	203
	0	0	0	0	0	(38,815)	(38,815)
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	(106)	0	(106)
Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation for the year (net of deferred taxation)	0	0	(14,722)	0	0	14,722	0
Share of revaluation surplus on property, plant and equipment of an Associated Company	0	0	(2,045)	0	0	0	(2,045)
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	2,043	2,043
Balance as at June 30, 2019	36,522	15,096	898,868	88,000	2,139	280,886	1,321,511

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Raza Kuli Khan Khattak  
Chief Executive

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

  
Sikandar Kuli Khan Khattak  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**1. LEGAL STATUS AND OPERATIONS**

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain items as disclosed in the relevant accounting policies below.

**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:

- Useful lives, residual values and depreciation method of property, plant and equipment. - notes 4.1 & 6.1
- Provision for impairment of inventories - notes 4.4, 4.5, 9 & 10
- Allowance for expected credit loss - note 4.6
- Impairment loss of non-financial assets other than inventories - note 4.8
- Staff retirement benefits (gratuity) - notes 4.10 & 20

- Estimation of provisions - note 4.12
- Estimation of contingent liabilities - notes 4.13 & 27
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.14, 22 & 26

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### 3.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 9, 'Financial instruments', has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The changes laid down by the new standard do not have any significant impact on these financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' has been notified by SECP 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.

Following the application of IFRS 15, the Company's policy for revenue recognition under different contracts with customers is as follows:

The Company manufactures and contracts with customers for the sale of yarn, which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time as the control has been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15, which replaced IAS 18, IAS 11 and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Accordingly the adoption of IFRS 15 at July 01, 2018 did not have an effect on the financial statements of the Company.

- (c) IFRIC 22, 'Foreign currency transactions and advance consideration' is effective for accounting periods beginning on or after July 01, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. The Company's accounting treatment is already in line with this interpretation.

### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2019, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.
- (b) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 01, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.
- (c) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.
- (d) IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation on its financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have insignificant impact on these financial statements of the Company.

##### 4.1 Property, plant and equipment

###### Measurement

Items of property, plant and equipment other than freehold land, buildings on freehold land, plant & machinery, generators and capital work-in-progress are measured at cost less accumulated depreciation and impairment loss, if any.

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

Capital work-in-progress is stated at cost less impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

###### Revaluation

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

###### Depreciation

Depreciation is charged so as to write-off the cost or revalued amount of assets (other than freehold land and capital work-in-progress) over their remaining useful lives, using the reducing balance method at rates specified in note 6.1 to the financial statements.

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

###### Disposal

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other income in the statement of profit or loss. In case of the sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation surplus on property, plant and equipment is transferred directly to unappropriated profit.

**Judgment and estimates**

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

**4.2 Assets subject to finance lease**

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

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

Depreciation on assets subject to finance lease is charged to income at the rates stated in note 6.1 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 taken to statement of profit or loss currently.

**4.3 Investments in Associated Companies**

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

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

**4.4 Stores, spares and loose tools**

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the statement of financial position 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:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	
- at mills	- At lower of annual average cost and net realisable value.
- in transit	- At cost accumulated to the reporting date.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.
- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.	
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.	
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.	

#### Judgments and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

#### 4.6 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less allowance for Expected Credit Loss (ECL). Carrying amounts of trade debts and other receivables are assessed at each reporting date and allowance 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 statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash-in-hand and balances with banks.

#### 4.8 Impairment of non-financial assets other than inventories

The assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**4.9 Borrowings and borrowing costs**

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

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

**4.10 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, 2019 on the basis of the projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in other comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

**4.11 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.

**4.12 Provisions**

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustment to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

**4.13 Contingent liabilities**

A contingent liability is disclosed when the Company

- has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or
- has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

#### 4.14 Taxation

Taxation comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any, in which case the tax amounts are recognised directly in other comprehensive income or equity.

##### (a) Current

Current tax is the expected tax payable on the taxable income / turnover for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credits and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

##### (b) Deferred

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

#### 4.15 Dividend and appropriation to reserves

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

#### 4.16 Derivative financial instruments

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

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

#### 4.17 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

##### a) Financial assets

###### Classification

Effective July 01, 2018, the Company classifies its financial assets in the following measurement categories:

- i) Amortised cost where the effective interest rate method will apply;
- ii) fair value through profit or loss; and
- iii) fair value through other comprehensive income.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income (OCI).

###### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

###### Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

###### Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

###### Impairment of financial assets

Effective July 01, 2018, the Company assesses on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its trade debts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Cash and bank balances

**Simplified approach for trade debts**

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

**Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Write-off**

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

**b) Financial Liabilities****Classification, initial recognition and subsequent measurement**

Financial liabilities are classified in the following categories:

- i) fair value through profit or loss; and
- ii) other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**i) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

**ii) Other financial liabilities**

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss for the year, when the liabilities are derecognised as well as through effective interest rate amortisation process.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or expired.

**Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**4.18 Foreign currency transactions**

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

**4.19 Revenue recognition**

Revenue from contracts with customers is recognised at the point in time when the performance obligation is satisfied i.e. control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

**Contract assets**

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

**Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its performance obligations under the contract.

**Others**

Return on deposits is accounted for on 'accrual basis'.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

**4.20 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 42 to these financial statements.

**5. RE-STATEMENT**

The Securities and Exchange Commission of Pakistan, vide its notice under section 474 of the Companies Act, 2017 dated August 23, 2019, has directed the Company's Board of Directors (the Board) to rectify the defaults and also to undo the irregularities leading to modified opinion of the external Auditors on the financial statements of the Company for the year ended June 30, 2018. The Board has resolved to engage independent valuation Consultants (M/s Aamir Salman Rizwan, Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore) to ascertain valuation of its investment in an Associated Company. The Valuers have ascertained share valuation based on discounted free cash flows. The effects of this valuation have been accounted for retrospectively in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors) and comparative figures have been restated in compliance with the aforementioned notice.

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	As at June 30, 2018			As at June 30, 2017		
	As previously reported	Restate- ment	As restated	As previously reported	Restate- ment	As restated
	----- Rupees in thousand -----					
<b>Effect on statement of financial position</b>						
Investment in an Associated Company	236,325	(8,317)	228,008	242,631	(86,760)	155,871
Equity	1,368,751	(8,317)	1,360,434	1,515,490	(63,184)	1,452,306
Deferred taxation	-	-	-	132,378	(23,576)	108,802
<b>Effect on statement of changes in equity</b>						
Unappropriated profit	311,253	(8,317)	302,936	441,252	(63,184)	378,068
<b>Effect on statement of profit or loss for the year ended June 30, 2018</b>						
Share of Loss of an Associated Company	(4,710)	(512)	(5,222)	-	-	-
Impairment reversal on Investment in an Associated Company	0	78,585	78,585	-	-	-
Taxation	(23,614)	23,576	(38)	-	-	-
	----- Rupees -----					
Loss per Share	(38.04)	14.92	(23.12)	-	-	-

6. PROPERTY, PLANT AND EQUIPMENT	Note	2019 (Rupees in thousand)	2018
Operating fixed assets	6.1	1,684,041	1,535,925
Capital work-in-progress	6.7	30,626	48,287
		1,714,667	1,584,212

6.1 Operating fixed assets

	Owned														Leased		Total	
	Freehold land	Roads, paths and culverts on freehold land	Buildings on freehold land				Plant & machinery	Generators	Tools & equipment	Furniture & fixtures	Office equipment	Computers and accessories	Security & surveillance	Arms	Vehicles	Plant & machinery		Generators
			Factory	Non-factory	officers	workers												
----- Rupees in thousand -----																		
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
Year ended June 30, 2018:																		
Additions	0	0	0	0	0	5,259	68,305	9,594	0	0	0	0	0	0	6,684	0	0	89,842
Disposals:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost / revaluation	0	0	0	0	0	0	(10,718)	0	0	(17)	0	0	0	0	(3,412)	0	0	(14,147)
Depreciation	0	0	0	0	0	0	677	0	0	6	0	0	0	0	2,257	0	0	2,940
Transfers from leased to owned:																		
Cost	0	0	0	0	0	0	30,000	40,000	0	0	0	0	0	0	0	(30,000)	(40,000)	0
Depreciation	0	0	0	0	0	0	(3,336)	(7,331)	0	0	0	0	0	0	0	3,336	7,331	0
Depreciation for the year	0	0	9,179	1,091	42	674	35,517	8,795	56	120	35	286	58	5	1,378	801	2,024	60,061
Book value	460,600	14	174,395	20,724	803	14,100	742,975	104,555	1,063	2,276	667	1,145	1,107	96	11,405	0	0	1,535,925
Year ended June 30, 2019:																		
Additions	0	0	0	0	0	0	207,003	7,465	27	28	71	428	0	0	0	0	0	215,022
Depreciation for the year	0	1	8,720	1,036	41	705	42,958	10,517	54	114	35	295	144	5	2,281	0	0	66,906
Book value	460,600	13	165,675	19,688	762	13,395	907,020	101,503	1,036	2,190	703	1,278	963	91	9,124	0	0	1,684,041
As at June 30, 2018																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	19,896	913,702	173,381	2,465	4,286	993	2,458	1,367	144	22,889	0	0	1,819,511
Accumulated depreciation	0	106	18,841	2,239	208	5,796	170,727	68,826	1,402	2,010	326	1,313	260	48	11,484	0	0	283,586
Book value	460,600	14	174,395	20,724	803	14,100	742,975	104,555	1,063	2,276	667	1,145	1,107	96	11,405	0	0	1,535,925
As at June 30, 2019																		
Cost / revaluation	460,600	120	193,236	22,963	1,011	19,896	1,120,705	180,846	2,492	4,314	1,064	2,886	1,367	144	22,889	0	0	2,034,533
Accumulated depreciation	0	107	27,561	3,275	249	6,501	213,685	79,343	1,456	2,124	361	1,608	404	53	13,765	0	0	350,492
Book value	460,600	13	165,675	19,688	762	13,395	907,020	101,503	1,036	2,190	703	1,278	963	91	9,124	0	0	1,684,041
Depreciation rate (%)		5	5	5	5	5	5	10	5	5	5	30	30	5	20	5	10	

- 6.2** Freehold land represents 715,904 square feet of land situated at Habibabad Kohat out of which approximately 333,430 square feet represent covered area.
- 6.3** The depreciation rates of computers & accessories and security & surveillance equipment have been increased to 30% from 5% per annum with effect from February 28, 2019. The effect of this change in depreciation rates has increased loss for the year and lowered carrying values of property, plant and equipment by Rs.126 thousand.
- 6.4** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

<b>Owned</b>	<b>2019</b>	<b>2018</b>
	<b>(Rupees in thousand)</b>	
- freehold land	<b>3,642</b>	3,642
- buildings on freehold land	<b>57,817</b>	60,860
- plant & machinery	<b>659,293</b>	481,150
- generators	<b>99,834</b>	102,701
	<b>820,586</b>	<b>648,353</b>

- 6.5** Based on the revaluation report as at June 30, 2016 the forced sale values of the revalued items of property, plant and equipment have been assessed by management as follows:

	<b>Rupees in thousand</b>
Freehold land	<b>368,480</b>
Buildings on freehold land	<b>181,683</b>
Plant & machinery	
- owned	<b>627,815</b>
- leased	<b>53,967</b>
	<b>1,231,945</b>

- 6.6 Depreciation for the year has been apportioned as under:**

- cost of sales	<b>63,887</b>	57,797
- administrative expenses	<b>3,019</b>	2,264
	<b>66,906</b>	<b>60,061</b>

- 6.7 Capital work-in-progress**

Opening balance	<b>48,287</b>	5,259
Additions during the year:		
- plant and machinery	<b>167,988</b>	48,287
- computer software	<b>800</b>	0
	<b>168,788</b>	48,287
Less: transferred to operating fixed assets during the year	<b>(186,449)</b>	(5,259)
Balance as at June 30,	<b>30,626</b>	48,287

7. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted	2019	(Restated) 2018	(Restated) 2017
	----- (Rupees in thousand) -----		
<b>Janana De Malucho Textile Mills Ltd. (JDM)</b>			
341,000 (2018: 341,000) ordinary shares of Rs.10 each - cost	4,030	4,030	4,030
Equity held: 7.13% (2018: 7.13%)			
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM	60,461	64,789	72,543
Share of revaluation surplus on property, plant and equipment	163,515	165,560	167,077
Dividend received	0	0	(426)
Profit / (loss) for the year - net of taxation	610	(5,222)	(8,777)
Share of other comprehensive income / (loss) - net of taxation	38	(1,149)	9
	<u>228,654</u>	<u>228,008</u>	<u>234,456</u>
Less: impairment loss	0	0	(78,585)
	<u>228,654</u>	<u>228,008</u>	<u>155,871</u>

7.1 Although the Company has less than 20% voting rights in JDM as at June 30, 2019 and 2018, JDM has been treated an Associated Company by virtue of common directorship.

7.2 Market value of the Company's investment in JDM as at June 30, 2019 was Rs.21.142 million (2018: Rs.21.868 million).

7.3 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, 2019 is as follows:

**Summarised statement of financial position**

Non-current assets	3,437,965	3,432,375	3,520,713
Current assets	1,244,097	1,542,192	1,285,961
	<u>4,682,062</u>	<u>4,974,567</u>	<u>4,806,674</u>
Non-current liabilities	<u>231,065</u>	229,569	<u>375,183</u>
Current liabilities	<u>1,204,244</u>	1,506,888	<u>1,120,964</u>
	<u>1,435,309</u>	1,736,457	<u>1,496,147</u>
<b>Net assets</b>	<u>3,246,753</u>	<u>3,238,110</u>	<u>3,310,527</u>
<b>Reconciliation to carrying amount</b>			
Opening net assets	3,238,110	3,310,527	3,318,307
Profit / (loss) for the year	6,296	(62,524)	(8,444)
Dividend paid during the year	0	0	(5,981)
Other comprehensive income/(loss) for the year	537	(16,068)	132
Other adjustments	1,810	6,175	6,513
Closing net assets	<u>3,246,753</u>	<u>3,238,110</u>	<u>3,310,527</u>

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	2019	(Restated) 2018	(Restated) 2017
----- Rupees in thousand -----			
Company's share percentage 7.13% (2018: 7.13%)			
Company's share	<b>231,493</b>	230,877	236,041
Impairment loss and miscellaneous adjustments	<b>(2,839)</b>	(2,869)	(80,170)
Carrying amount of investment	<b>228,654</b>	228,008	155,871
<b>Summarised statement of profit or loss</b>			
Sales	<b>3,379,664</b>	2,782,025	2,515,643
Profit / (loss) before taxation	<b>41,272</b>	(73,217)	(21,538)
Profit / (loss) after taxation	<b>6,296</b>	(62,524)	(8,444)

- 7.4** The value of investment in JDM as at June 30, 2019 and June 30, 2018 is based on independent valuation carried-out by M/s Aamir Salman Rizwan; Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore, engaged by the management. The recoverable amount has been estimated based on value in use calculations. These calculations have been made on discounted cash flow based valuation methodology, which assumes gross profit margin of 10.90% (2018: 10.78%), terminal growth rate of 5% (2018: 5%) and capital asset pricing model based discount rate of 12.38% (2018: investor's required rate of return of 9.71%).

	Note	2019 (Rupees in thousand)	2018
<b>8. LONG TERM LOANS - Secured</b>			
Interest free loans to:			
- related parties - key management persons	8.1	260	500
- other employees	8.2	1,228	1,809
		<b>1,488</b>	2,309
Less: current portion grouped under current assets		<b>1,447</b>	1,774
		<b>41</b>	535

- 8.1** The year-end balance is recoverable in monthly instalments ending December, 2019. Maximum aggregate amount of loans at any month-end during the year was Rs.480 thousand (2018: Rs.660 thousand).
- 8.2** These loans are recoverable in monthly instalments, which vary from employee to employee and are adjustable against the gratuity benefits of the respective employee.

<b>9. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		11,133	23,512
Spares		20,290	16,011
Loose tools		43	43
		<b>31,466</b>	39,566

<b>10. STOCK-IN-TRADE</b>			
Raw materials:			
- at mills	10.1	708,747	465,036
- in transit		68,431	141,222
		<b>777,178</b>	606,258
Work-in-process		51,436	39,494
Finished goods	10.2	56,771	26,642
		<b>885,385</b>	672,394

**10.1** Raw material and finished good inventories at respective year-ends were pledged with National Bank of Pakistan and The Bank of Khyber as security for short term finance facilities (note 25).

**10.2** Finished good inventories as at June 30, 2019 include inventories costing Rs.4.399 million (2018: Rs.7.551 million), which have been stated at net realisable value; the amount charged to statement of profit or loss in respect of inventories write-down to net realisable value worked-out to Rs.0.290 million (2018: Rs.1.431 million) approximately.

<b>11. TRADE DEBTS - Unsecured</b>		<b>2019</b>	2018
	<b>Note</b>	<b>(Rupees in thousand)</b>	
Balance at the year-end		<b>2,598</b>	2,659
Less: allowance for Expected Credit Loss	<b>11.1</b>	<b>2,290</b>	2,290
		<b>308</b>	369

**11.1** IFRS 9 (Financial Instruments) has introduced the Expected Credit Loss (ECL) model, which replaced the incurred loss model of IAS 39 (Financial Instruments: Recognition and Measurement) whereby an allowance for doubtful debts was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognise an allowance for doubtful debts on trade debts irrespective whether a loss event has occurred. For trade debts, the Company has applied IFRS 9 using simplified approach to measure the expected credit losses, which uses a life time expected loss allowance.

**12. LOANS AND ADVANCES**

Current portion of long term loans	<b>8</b>	<b>1,447</b>	1,774
Advances (unsecured - considered good):			
- employees		<b>6,089</b>	3,160
- contractors and suppliers		<b>3,952</b>	2,156
- against letters of credit		<b>27</b>	1,581
		<b>11,515</b>	8,671

**13. OTHER RECEIVABLES**

These represent import letters of credit weight shortage claims.

**14. CASH AND BANK BALANCES**

Cash-in-hand		<b>0</b>	58
Cash at banks on:			
- current accounts		<b>228</b>	7,399
- dividend accounts		<b>23</b>	23
- PLS account	<b>14.1</b>	<b>2,570</b>	538
- PLS security deposit account	<b>14.1</b>	<b>131</b>	125
		<b>2,952</b>	8,085
		<b>2,952</b>	8,143

14.1 These carry profit at the rates ranging from 4.50% to 10.25% (2018: 2.40% to 2.76%) per annum.

**15. AUTHORISED SHARE CAPITAL**

2019 ---- Numbers ----	2018		2019 (Rupees in thousand)	2018
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
<u>25,000,000</u>	<u>25,000,000</u>		<u>250,000</u>	<u>250,000</u>

**16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2019 ---- Numbers ----	2018		2019 (Rupees in thousand)	2018
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
<u>3,652,178</u>	<u>3,652,178</u>		<u>36,522</u>	<u>36,522</u>

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

	2019 ---- Numbers----	2018
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
	<u>2,066,799</u>	<u>2,066,799</u>

**17. RESERVES**

	Note	2019 (Rupees in thousand)	2018
Capital reserve	17.1	15,096	15,096
General reserve		88,000	88,000
Gain on remeasurement of forward foreign exchange contracts - cash flow hedge		2,139	2,245
		<u>105,235</u>	<u>105,341</u>

17.1 This represents share premium received @ Rs.6 per share on 1,000,000 right shares issued by the Company during the financial years ended September 30, 1992 & September 30, 1993 and @ Rs.15 per share on 896,000 ordinary shares issued as otherwise than right in accordance with the provisions of section 86(1) of the 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. This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

**18. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - Net**

	Note	2019 (Rupees in thousand)	2018
Revaluation surplus on the Company's property, plant and equipment	18.2	735,353	750,075
Share of revaluation surplus on property, plant and equipment of an Associated Company	7	163,515	165,560
		<b>898,868</b>	<b>915,635</b>

**18.1** 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.

**18.2** 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. The year-end balance has been arrived at as follows:

Opening balance		869,803	897,290
Less: transferred to unappropriated profit:			
- on account of incremental depreciation for the year		(20,735)	(21,907)
- upon sale of revalued assets		0	(5,580)
		<b>849,068</b>	<b>869,803</b>
Less: deferred tax on:			
- opening balance of surplus		119,728	132,102
- incremental depreciation for the year		(6,013)	(6,572)
- sale of revalued assets		0	(1,674)
		<b>113,715</b>	<b>123,856</b>
		<b>735,353</b>	<b>745,947</b>
Resultant adjustment due to reduction in tax rate		0	4,128
Closing balance		<b>735,353</b>	<b>750,075</b>

**19. LONG TERM FINANCES - Secured**

The Bank of Khyber (BoK)			
- demand finance - I	19.1	151,416	46,284
- demand finance - II	19.2	38,550	27,456
Sindh Modaraba (SM) - diminishing musharaka	19.4	48,555	0
		<b>238,521</b>	<b>73,740</b>
Less: current portion grouped under current liabilities		51,803	3,644
		<b>186,718</b>	<b>70,096</b>

- 19.1** These finances have been obtained to retire letters of credit established for import of textile machinery for BMR. These finances carry mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rates charged by BoK during the year ranged from 9.04% to 12.80% (2018: 8.50%) per annum. These finances are repayable in 48 equal monthly instalments commenced from May, 2019.
- 19.2** These finances have been obtained for acquisition of local textile machinery for BMR. These finances carry mark-up at the rate 6-months KIBOR + 2%; the effective mark-up rates charged by BoK during the year ranged from 9.04% to 12.80% (2018: 8.53%) per annum. These finances are repayable in 48 equal monthly instalments commenced from April, 2019.
- 19.3** The finances obtained from BoK are secured against first joint pari passu charge on fixed assets of the Company for Rs.616 million and personal guarantee of Chief Executive of the Company.
- 19.4.** These finances have been obtained from SM against aggregate limit of Rs.50 million for the purpose of acquisition of plant and machinery. The facility tenor is five years and is secured against title of assets in the name of SM, registered charge of Rs.48.555 million over financed assets and personal guarantee of Chief Executive of the Company. The finance facility carries profit at 3-months KIBOR + 2.90% per annum. The effective profit rate during the year was 14.01% per annum. The finance facility is repayable in 48 equal monthly instalments commencing May, 2020.

**20. 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:

<b>Significant actuarial assumptions</b>	<b>2019</b>	2018
- discount rate	<b>14.25%</b>	9.00%
- expected rate of growth per annum in future salaries	<b>13.25%</b>	8.00%
- average expected remaining working life time of employees	<b>7 years</b>	7 years
- mortality rates	<b>SLIC 2001-2005</b>	SLIC 2001-2005
	Setback 1 year	
- withdrawal rates	<b>Age-based</b>	Age-based
- retirement assumption	<b>Age 60</b>	Age 60
<b>The amount recognised in the statement of financial position is as follows:</b>	<b>2019</b>	2018
	<b>(Rupees in thousand)</b>	
Net liability at beginning of the year	<b>78,326</b>	69,140
Charge to statement of profit or loss	<b>21,565</b>	22,146
Experience adjustments	<b>(233)</b>	14,401
Payments made during the year	<b>(18,138)</b>	(27,361)
Net liability at end of the year	<b>81,520</b>	78,326

<b>The movement in the present value of defined benefit obligation is as follows:</b>	<b>2019</b>	<b>2018</b>
	<b>(Rupees in thousand)</b>	
Opening balance	<b>78,326</b>	69,140
Current service cost	<b>15,332</b>	14,066
Interest cost	<b>6,233</b>	4,298
Past service cost	<b>0</b>	3,782
Benefits paid	<b>(18,138)</b>	(27,361)
Experience adjustments	<b>(233)</b>	14,401
Closing balance	<b>81,520</b>	78,326
<b>Expense recognised in statement of profit or loss</b>		
Current service cost	<b>15,332</b>	14,066
Interest cost	<b>6,233</b>	4,298
Past service cost	<b>0</b>	3,782
Charge for the year	<b>21,565</b>	22,146
<b>Charge for the year has been allocated to:</b>		
- cost of sales	<b>18,330</b>	18,824
- distribution cost	<b>216</b>	222
- administrative expenses	<b>3,019</b>	3,100
	<b>21,565</b>	22,146

<b>Remeasurement recognised in other comprehensive income</b>		
Experience adjustments (net of deferred tax)	<b>165</b>	(10,225)

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

	<b>2019</b>	2018	2017	2016	2015
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	<b>81,520</b>	78,326	69,140	73,104	62,500
Experience adjustments on obligation	<b>(233)</b>	14,401	(10,304)	(533)	(4,337)

<b>Year-end sensitivity analysis</b>	<b>Impact on defined benefit obligation</b>		
	Changes in assumption	Increase	Decrease
		<b>(Rupees in thousand)</b>	
Discount rate	1%	<b>76,528</b>	<b>87,218</b>
Salary growth rate	1%	<b>87,403</b>	<b>76,273</b>

- 20.1** The average duration of the benefit obligation as at June 30, 2019 is 7 years.
- 20.2** The expected contribution to defined benefit obligation for the year ending June 30, 2020 is Rs.26.640 million.

**21. LONG TERM DEPOSIT**

This interest-free deposit has been received in accordance with the Company's Car Incentive Scheme and against this deposit vehicle has been provided to the employee. This deposit is adjustable after specified period by transfer of title of vehicle to the employee.

<b>22. DEFERRED TAXATION - Net</b>	<b>2019</b>	(Restated) 2018	(Restated) 2017
	----- (Rupees in thousand) -----		
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances	<b>148,311</b>	129,003	120,367
- surplus on revaluation of property, plant & equipment	<b>113,711</b>	119,725	132,102
- lease finances	<b>0</b>	0	14,500
	<b>262,022</b>	248,728	266,969
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity	<b>(23,641)</b>	(22,715)	(20,742)
- provision for doubtful debts	<b>(664)</b>	(664)	(687)
- minimum tax recoverable against normal tax charge in future years	<b>(87,417)</b>	(70,003)	(52,606)
- unused tax losses	<b>(141,096)</b>	(72,336)	(60,556)
- impairment loss provided for on investment in an Associated Company	<b>0</b>	0	(23,576)
	<b>(252,818)</b>	(165,718)	(158,167)
	<b>9,204</b>	83,010	108,802

**22.1** Also refer contents of note 5.

<b>23. TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2019</b>	2018
		(Rupees in thousand)	
Creditors		<b>198,869</b>	53,444
Bills payable	<b>23.1</b>	<b>71,232</b>	140,449
Advances from customers - contract liabilities		<b>6,867</b>	2,457
Accrued expenses		<b>62,558</b>	63,714
Interest free security deposits			
- repayable on demand	<b>23.2</b>	<b>170</b>	170
Due to Waqf-e-Kuli Khan		<b>12,048</b>	12,048
Income tax deducted at source		<b>5,722</b>	0
Sales tax payable	<b>23.3</b>	<b>15,020</b>	0
Others		<b>801</b>	270
		<b>373,287</b>	272,552

**23.1** These are secured against lien on import documents.

**23.2** This represents amounts received from the Company's customers and service providers; this amount has been deposited with a scheduled bank.

**23.3** This represents further tax payable on sales made to unregistered persons upto June 30, 2019.

**24. ACCRUED INTEREST / MARK-UP**

Mark-up accrued on:

- long term finances	<b>6,143</b>	1,074
- short term finances	<b>27,264</b>	14,252
	<b>33,407</b>	15,326

**25. SHORT TERM FINANCES - Secured**

Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber (BoK) under mark-up arrangements aggregate Rs.980 million (2018: Rs.980 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 8.23% to 12.49% (2018: 7.46% to 8.41%) per annum. Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.475 million (2018: Rs.633 million) out of which the amount remained unutilised at the year-end was Rs.344.778 million (2018: Rs.388.656 million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company. Facilities from BoK and NBP are available upto September 30, 2019 and December 31, 2019 respectively.

**26. TAXATION**

	<b>Note</b>	<b>2019</b> <b>(Rupees in thousand)</b>	<b>2018</b>
Opening balance		<b>17,450</b>	14,218
Provision made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.10.350 million (2018: Rs.6.234 million)]	<b>26.2</b>	<b>17,415</b>	17,450
- prior years		<b>30</b>	0
		<b>17,445</b>	17,450
Less: payments / adjustments made against completed assessments		<b>17,480</b>	14,218
		<b>17,415</b>	17,450

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

**26.2** No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay tax due under section 113 (Minimum tax on the income of certain persons) of the Income Tax Ordinance, 2001 (the Ordinance).

**26.3** 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.

**26.4** 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 on February 22, 2017 before the Commissioner Inland Revenue (Appeals), which is pending adjudication.

**27. CONTINGENCIES AND COMMITMENTS**

**27.1** 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 vide SCP's judgment dated August 22, 2014. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition vide its judgment dated May 31, 2017. The Company, thereafter, has filed a petition before the SCP on July 31, 2017, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of June, 2019, has raised GIDC demands aggregating Rs.539.315 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 year have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

**27.2** Guarantee amounting Rs.55.200 million (2018: 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, 2019. The guarantee is secured against the securities as detailed in note 25 and is valid upto December 31, 2019.

<b>27.3</b> Commitments against irrevocable letters of credit outstanding at the year-end were for:	<b>Note</b>	<b>2019</b> <b>(Rupees in thousand)</b>	<b>2018</b>
- raw materials		<b>0</b>	71,518
- spare parts		<b>3,790</b>	117,626
		<b>3,790</b>	189,144

**27.4** Also refer contents of note 26.3 and 26.4.

**28. SALES - Net**

**Local**

Own manufactured goods

- Yarn		<b>2,098,767</b>	1,837,825
- Waste		<b>95,348</b>	68,360
		<b>2,194,115</b>	1,906,185
Trading activities - raw materials		<b>43,293</b>	0
		<b>2,237,408</b>	1,906,185
Less: sales tax	<b>28.1</b>	<b>19,123</b>	16,173
		<b>2,218,285</b>	1,890,012

**28.1** As per S.R.O. Notification 491(I) / 2016 dated June 30, 2016, sales made by the Company to registered persons were charged sales tax at zero percent with effect from July 01, 2016 whereas sales made to un-registered persons were charged sales tax at one percent as per S.R.O Notification 584(I) / 2017 dated July 01, 2017 with effect from July 01, 2017.

<b>29. COST OF SALES</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>(Rupees in thousand)</b>	
Raw materials consumed	29.1	1,426,893	1,104,011
Packing materials consumed		34,439	34,879
Salaries, wages and benefits	29.2	304,633	283,756
Power and fuel		237,296	193,761
Repair and maintenance:			
- stores consumed		57,230	55,881
- expenses		8,614	9,615
		65,844	65,496
Depreciation	6.6	63,887	57,797
Insurance		5,884	5,826
		2,138,876	1,745,526
Adjustment of work-in-process			
Opening		39,494	37,987
Closing	10	(51,436)	(39,494)
		(11,942)	(1,507)
Cost of goods manufactured		2,126,934	1,744,019
Adjustment of finished goods			
Opening stock		26,642	206,157
Closing stock	10	(56,771)	(26,642)
		(30,129)	179,515
Cost of goods sold		2,096,805	1,923,534
<b>29.1 Raw materials consumed</b>			
Opening stock		606,258	370,771
Purchases (for manufacturing)		1,556,597	1,338,984
Cost of raw materials sold		40,527	0
		1,597,124	1,338,984
		2,203,382	1,709,755
Less: closing stock	10	777,178	606,258
		1,426,204	1,103,497
Cess on cotton consumed		689	514
		1,426,893	1,104,011
<b>29.2</b> These include Rs.18,330 thousand (2018: Rs.18,824 thousand) in respect of staff retirement benefits - gratuity.			
<b>30. DISTRIBUTION COST</b>			
Freight, loading, travelling and conveyance		3,629	2,518
Salaries and benefits	30.1	1,532	3,200
Commission		11,260	8,449
Others		118	6
		16,539	14,173

**30.1** These include Rs.216 thousand (2018: Rs.222 thousand) in respect of staff retirement benefits - gratuity.

<b>31. ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>(Rupees in thousand)</b>			
Salaries and benefits	<b>31.1</b>	<b>60,324</b>	44,837
Printing and stationery		<b>1,008</b>	861
Communication		<b>1,049</b>	975
Travelling and conveyance		<b>3,142</b>	2,152
Rent, rates and taxes		<b>4,733</b>	3,116
Insurance		<b>490</b>	367
Advertisement		<b>75</b>	179
Repair and maintenance		<b>1,109</b>	1,277
Vehicles' running		<b>5,222</b>	4,909
Guest house expenses and entertainment		<b>2,086</b>	2,040
Subscription		<b>652</b>	462
Auditors' remuneration:			
- statutory audit		<b>1,063</b>	966
- short provisions for the preceding years		<b>327</b>	0
- half yearly review		<b>165</b>	165
- consultancy charges		<b>40</b>	40
- certification charges		<b>203</b>	108
- out-of-pocket expenses		<b>45</b>	45
		<b>1,843</b>	1,324
Legal and professional charges (other than Auditors)		<b>3,611</b>	3,289
Depreciation	<b>6.6</b>	<b>3,019</b>	2,264
		<b>88,363</b>	68,052

**31.1** These include Rs.3,019 thousand (2018: Rs.3,100 thousand) in respect of staff retirement benefits - gratuity.

**32. OTHER EXPENSES**

Donations (without directors' interest)		<b>340</b>	120
Loss on disposal of fixed assets	<b>32.1</b>	<b>0</b>	4,148
		<b>340</b>	4,268

**32.1** The Company, during the preceding year, had disposed-off plant & machinery, furniture & fixtures and vehicles having book values of Rs.10.041 million, Rs.11 thousand and Rs.1.155 million against sale proceeds of Rs.7.059 million.

**33. OTHER INCOME**

**Income from financial assets**

Return on bank deposits		<b>666</b>	316
Amortisation of gain on forward foreign exchange contracts		<b>106</b>	110

**Income from non-financial assets**

Salvage sales - net of sales tax		<b>2,891</b>	4,730
Deferred income - credited	<b>33.1</b>	<b>0</b>	2,100
		<b>3,663</b>	7,256

**33.1** This income had arisen on sale and lease-back arrangement entered into with Saudi Pak Industrial and Agricultural Investment Company Ltd. for lease of gas fired power generator.

**34. FINANCE COST**

Mark-up on:

- long term finances	19,468	1,074
- short term finances	94,526	42,050
Lease finance charges	0	769
Bank charges	1,896	1,188
	<b>115,890</b>	<b>45,081</b>

**35. TAXATION**

Current

- for the year	17,415	17,450
- for prior years	30	0
	<b>17,445</b>	<b>17,450</b>

Deferred:

- for the year	(73,806)	(21,616)
- resultant adjustment due to reduction in tax rate	0	4,128
	<b>(73,806)</b>	<b>(17,488)</b>
	<b>(56,361)</b>	<b>(38)</b>

**36. LOSS PER SHARE**

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

Loss after taxation attributable to ordinary shareholders	(39,018)	(84,439)
	<b>(Number of shares)</b>	
Weighted average number of ordinary shares in issue during the year	3,652,178	3,652,178
	----- Rupees -----	
Loss per share - basic	(10.68)	(23.12)

**37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**37.1 Financial instruments by category**

**Financial assets**

**At amortised cost**

Security deposits	1,033	1,109
Loans and advances	11,556	9,206
Trade debts	308	369
Other receivables	2,895	4,710
Cash and bank balances	2,952	8,143
	<b>18,744</b>	<b>23,537</b>

<b>Financial liabilities</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
<b>At amortised cost</b>		
Long term finances	<b>238,521</b>	73,740
Trade and other payables	<b>345,678</b>	270,095
Unclaimed dividends	<b>2,431</b>	2,431
Accrued interest / mark-up	<b>33,407</b>	15,326
Short term finances	<b>929,483</b>	726,128
	<b>1,549,520</b>	1,087,720

### 37.2 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 minimise potential adverse effects on the Company's financial performance.

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

### 37.3 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 JPY. The Company's exposure to foreign currency risk for U.S. \$, Euro and JPY is as follows:

<b>2019</b>	<b>Rupees</b>	<b>U.S.\$</b>	<b>Euro</b>	<b>JPY</b>
<b>Funded:</b>	----- in thousand -----			
<b>Bills payable - total exposure</b>	<b>71,232</b>	<b>351</b>	<b>72</b>	<b>0</b>
2018				
Funded:				
Bills payable	140,449	1,161	0	0
Unfunded:				
Outstanding letters of credit	189,144	897	443	15,700
Total exposure	329,593	2,058	443	15,700

The following exchange rates have been applied:

	<b>Average rate</b>		<b>Reporting date rate</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
U.S. \$ to Rupee	<b>132.10</b>	113.25	<b>164.50</b>	121.60
Euro to Rupee	<b>186.99</b>	130.43	<b>187.00</b>	141.57
JPY to Rupee	-	1.03	-	1.10

**Sensitivity analysis**

At June 30, 2019, if Rupee had strengthened by 10% against U.S.\$ and Euro 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.

	2019	2018
<b>Effect on loss for the year:</b>	<b>Rupees in thousand</b>	
U.S. \$ to Rupee	5,774	14,118
Euro to Rupee	1,347	0

The weakening of Rupee against U.S. \$ and Euro 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:

	2019	2018	2019	2018
	<b>Effective rate</b>		<b>Carrying amount</b>	
<b>Fixed rate instruments</b>	%	%	<b>(Rupees in thousand)</b>	
<b>Financial assets</b>				
Bank balances	4.50 to 10.25	2.40 to 2.76	2,701	663
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	9.04 to 14.01	8.50 to 8.53	238,521	73,740
Short term finances	8.23 to 12.49	7.46 to 8.41	929,483	726,128

**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 statement of profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

At June 30, 2019, 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.11.680 million (2018: Rs.7.999 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.

**37.4 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, 2019 along with comparative is tabulated below:

	2019 (Rupees in thousand)	2018
Security deposits	1,033	1,109
Trade debts	308	369
Other receivables	2,895	4,710
Bank balances	2,952	8,085
	<u>7,188</u>	<u>14,273</u>

Trade debts are due from local customers for local sales. All the trade debts are unsecured and considered good. Management assesses the credit quality of local customers taking into account their financial position, past experience and other factors. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

The Company always measures the loss allowance for trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of Rs.2.290 million against all local trade debts.

#### 37.5 Liquidity risk

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

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

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees in thousand -----				
<b>2019</b>				
Long term finances	238,521	337,621	111,609	226,012
Trade and other payables	345,678	345,678	345,678	0
Unclaimed dividends	2,431	2,431	2,431	0
Accrued interest / mark-up	33,407	33,407	33,407	0
Short term finances	929,483	973,928	973,928	0
	<b>1,549,520</b>	<b>1,693,065</b>	<b>1,467,053</b>	<b>226,012</b>
<b>2018</b>				
Long term finances	73,740	91,088	11,126	79,962
Trade and other payables	270,095	270,095	270,095	0
Unclaimed dividends	2,431	2,431	2,431	0
Accrued interest / mark-up	15,326	15,326	15,326	0
Short term finances	726,128	749,024	749,024	0
	<b>1,087,720</b>	<b>1,127,964</b>	<b>1,048,002</b>	<b>79,962</b>

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.

### 38. MEASUREMENT OF FAIR VALUES

The management, during the financial year ended June 30, 2016, 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 categorised 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 categorised 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 recognised in the financial statements at fair value on a recurring basis, the management recognises 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.

**39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Particulars	Chief Executive		Director		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
Managerial remuneration	12,212	6,522	5,419	2,700	15,662	12,209
Bonus / ex-gratia	434	434	222	222	847	598
Retirement benefits	900	440	425	225	1,236	816
Utilities	861	801	0	0	0	0
Insurance	6	6	4	2	11	6
Medical	41	34	138	17	1,143	528
Leave encashment	0	0	0	0	1,080	0
	<b>14,454</b>	<b>8,237</b>	<b>6,208</b>	<b>3,166</b>	<b>19,979</b>	<b>14,157</b>
No. of persons	1	1	1	1	5	4

**39.1** Chief executive, director and four (2018: three) of the executives have been provided with the Company maintained cars and residential telephones.

**39.2** The Company has provided rent free accommodation to two (2018: two) of its executives in the mills' colony.

**39.3** In addition to above, meeting fees of Rs.820 thousand (2018: Rs.840 thousand) were paid to seven (2018: eight) non-working directors during the year.

**40. TRANSACTIONS WITH RELATED PARTIES**

**40.1** 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 (now section 199 of the Companies Act, 2017) or the regulations made thereunder.

**40.2** Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.15 thousand (2018: Rs.46 thousand).

**40.3** 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 carries-out transactions with various related parties. Remuneration of directors and key management personnel are disclosed in note 39. 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 on the basis of common directorship) during the year were as follows:

	2019	2018
Residential rent:	<b>(Rupees in thousand)</b>	
- paid	1,851	1,609
- received	48	0
Utilities recovered	25	60
Salaries & benefits - shared expenses charged	2,879	1,549

**41. 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 dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt, mark-up bearing long term finances and short term finances less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at June 30, 2019 and June 30, 2018 is as follows:

	<b>2019</b>	<b>2018</b>
	<b>Rupees in thousand</b>	
Long term finances	<b>238,521</b>	73,740
Short term finances	<b>929,483</b>	726,128
Cash and bank balances	<b>(2,952)</b>	(8,143)
<b>Net debt</b>	<b>1,165,052</b>	791,725
Share capital	<b>36,522</b>	36,522
Share premium reserve	<b>15,096</b>	15,096
Revaluation surplus on property, plant and equipment	<b>898,868</b>	915,635
General reserve	<b>88,000</b>	88,000
Gain on remeasurement of forward foreign exchange contracts	<b>2,139</b>	2,245
Unappropriated profit	<b>280,886</b>	302,936
<b>Equity</b>	<b>1,321,511</b>	1,360,434
<b>Capital</b>	<b>2,486,563</b>	2,152,159
<b>Gearing ratio (Net debt / (Net debt + Equity))</b>	<b>46.85%</b>	36.79%

**42. OPERATING SEGMENT**

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

**42.2** Yarn sales represent 93.80% (2018: 96.41%) of the total sales of the Company.

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

**42.4** All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

**42.5** Three (2018: six) of the Company's customers contributed towards 46.81% (2018: 70.89%) of sales during the year aggregating Rs.982.520 million (2018: Rs.1,291.525 million).

**43. NUMBER OF EMPLOYEES**

	<b>2019</b>	<b>2018</b>
	<b>----- Numbers -----</b>	
Number of employees as at June 30,		
- permanent	<b>1,045</b>	1,040
- contractual	<b>27</b>	51
	<b>1,072</b>	1,091
Average number of employees during the year		
- permanent	<b>1,069</b>	1,104
- contractual	<b>41</b>	41
	<b>1,110</b>	1,145

<b>44. CAPACITY AND PRODUCTION</b>	<b>2019</b>	<b>2018</b>
Number of spindles installed	<b>53,256</b>	50,160
Number of rotors installed	<b>400</b>	400
Number of shifts worked for spindles	<b>1,094</b>	1,094
Number of shifts worked for rotors	<b>1,094</b>	1,094
Number of spindles / shifts worked	<b>55,258,361</b>	53,717,645
Number of rotors' shifts worked	<b>313,300</b>	220,363
Average count spun	<b>57.87</b>	58.86
Actual production on rotors	<b>Kgs 297,287</b>	340,107
Actual production on spindles	<b>Kgs 3,788,413</b>	3,513,986

**44.1** 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.

**45. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

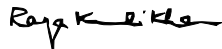
	<b>Long term finances</b>	<b>Liabilities against assets subject to finance lease</b>	<b>Short term finances</b>	<b>Accrued interest / mark-up</b>	<b>Total</b>
----- Rupees in thousand -----					
Balance as at June 30, 2017	0	13,824	561,030	8,792	583,646
Changes from financing activities					
Finances obtained	73,740	0	0	0	73,740
Short term finances obtained net of repayments	0	0	165,098	0	165,098
Repayment of lease finances	0	(13,824)	0	0	(13,824)
Finance cost paid	0	0	0	(37,359)	(37,359)
	73,740	(13,824)	165,098	(37,359)	187,655
Other changes					
Mark-up / interest expense for the year	0	0	0	43,893	43,893
Balance as at June 30, 2018	73,740	0	726,128	15,326	815,194
Changes from financing activities					
Finances obtained	173,365	0	0	0	173,365
Finances repaid	(8,584)	0	0	0	(8,584)
Short term finances obtained net of repayments	0	0	203,355	0	203,355
Finance cost paid	0	0	0	(95,913)	(95,913)
	164,781	0	203,355	(95,913)	272,223
Other changes					
Mark-up / interest expense for the year	0	0	0	113,994	113,994
Balance as at June 30, 2019	<u>238,521</u>	<u>0</u>	<u>929,483</u>	<u>33,407</u>	<u>1,201,411</u>

**46. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 28th October, 2019 by the board of directors of the Company.

**47. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. Material re-arrangements and re-classifications made in these financial statements have been detailed in note 5.

  
Raza Kuli Khan Khattak  
Chief Executive

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

  
Sikandar Kuli Khan Khattak  
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 49th Annual General Meeting of the Company to be held on 23rd November,  
2019 at 12:00 Noon at registered office of the company at Habibabad, Kohat  
and at any adjournment thereof.

As witness my hand this.....day of..... 2019

**Witnesses:**

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
NIC or  
Passport No: \_\_\_\_\_

Signature

Please  
affix five rupees  
revenue stamp

2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
NIC or  
Passport No: \_\_\_\_\_

Signature should agree with the  
specimen signature registered  
with the Company

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

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





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