

# Quarterly Accounts September 2013



**BABRI COTTON MILLS  
LIMITED**

## BABRI COTTON MILLS LIMITED COMPANY'S PROFILE

<b>BOARD OF DIRECTORS</b>	Mr. Raza Kuli Khan Khattak Chief Executive Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mrs. Zeb Gohar Ayub Mrs. Shahnaz Sajjad Ahmad Dr. Shaheen Kuli Khan Khattak-Chair Person Mr. Muhammad Ayub Khan Ch. Sher Muhammad	
<b>AUDIT COMMITTEE</b>	Mrs. Shahnaz Sajjad Ahmad Mr. Muhammad Ayub Khan Ch. Sher Muhammad	Chair Person Member Member
<b>HUMAN RESOURCES AND REMUNERATION COMMITTEE</b>	Ch. Sher Muhammad Mr. Raza Kuli Khan Khattak Mr. Muhammad Ayub Khan	Chairman Member Member
<b>COMPANY SECRETARY</b>	Mr. Arshian Mahboob, FCA, FPA	
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Arshian Mahboob, FCA, FPA	
<b>INTERNAL AUDITOR</b>	Mr. Nasir Ali Khan ACCA	
<b>AUDITORS</b>	M/s Hameed Chaudhri & Co., Chartered Accountants	
<b>SHARE REGISTRARS</b>	Hameed Majeed Associates (Pvt) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Tel : (021) 32424826, 32412754 Fax: (021) 32424835	
<b>BANKERS</b>	National Bank of Pakistan Faysal Bank Limited	
<b>REGISTERED OFFICE &amp; MILLS</b>	Habibabad, Kohat Tel : (0922) 862285 - 862292 Fax : (0922) 862283 Website : <a href="http://www.bcm.com.pk">www.bcm.com.pk</a> E-mail : <a href="mailto:info@bcm.com.pk">info@bcm.com.pk</a>	

**BABRI COTTON MILLS LIMITED**  
**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Board of Directors is pleased to present the un-audited financial statements of the Company for the quarter ended on 30 September, 2013 (current period).

**FINANCIAL HIGHLIGHTS**

	Quarter Ended 30 September	
	2013	2012
	--Rupees--	
Sales – Net	533.671	428.941
Gross Profit	93.065	59.799
Profit from operations	69.502	37.196
Net Profit Before Taxation	64.864	23.110
Net Profit After Taxation	59.527	20.966
Earning Per Share - Rs.	16.30	5.74

**REVIEW OF OPERATIONS**

With the blessings of Allah Karim, our company has achieved better results as compared to last quarter ended 30 September, 2012. Sales of the company have increased by Rs. 104.730 million during the current period and the Company has earned Rs. 64.864 million pre tax profit as compared to Rs. 23.110 million for the corresponding period. The improved results are on account of management's efforts for efficient utilisation of skills and resources.

**FUTURE OUTLOOK**

Imposition of sales tax, increase in cost of raw materials and labour, inflation and law & order situation are significant challenges faced by the Company and the industry as a whole. Despite all the difficulties, the textile industry has great potential and it is hoped that corrective measures taken by the present regime will help the economy to revitalize in coming years. The management will continue its best efforts to achieve growth and optimum results for the Company and its stake holders.

**ACKNOWLEDGMENT**

We take this opportunity to thank our bankers for their co-operation and financial help and place on record its appreciation for the employees of the Company.

For & on behalf of the board of directors,

*Raza Kuli Khan*

**Raza Kuli Khan Khattak**  
Chief Executive Officer

Dated: 29 October, 2013

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER, 2013**

	Un-audited 30 Sep., 2013	Audited 30 June, 2013 Restated	Un-audited 30 Sep., 2013	Audited 30 June, 2013 (Restated)
	Note	Rupees In thousand	Note	Rupees In thousand
<b>Equity and Liabilities</b>			<b>Assets</b>	
Share Capital and Reserves			Non-current Assets	
Authorised capital		250,000	Property, plant and equipment	8 1,324,104 1,305,295
Issued, subscribed and paid-up capital		36,522	Investments in an Associated Company	61,363 61,363
Reserves		105,978	Advances to employees	807 766
Unappropriated profit		491,507	Security deposits	993 1,063
		634,007		1,387,267 1,368,487
Term Finance Certificates		25,888	Current Assets	
Surplus on Revaluation of Property, Plant and Equipment		616,677	Stores, spares and loose tools	43,192 15,628
Non-current Liabilities			Stock-in-trade	438,443 348,027
Demand finances	6	23,386	Trade debts - secured	9,076 11,028
Staff retirement benefits - gratuity		45,052	Advances to employees	5,116 6,063
Deferred taxation		222,691	Advance payments	9,264 5,008
		291,129	Prepayments	1,441 334
Current Liabilities			Due from Associated Companies	1,072 1,072
Trade and other payables		200,163	Other receivables	3,258 4,374
Accrued interest / mark-up		4,270	Sales tax refundable	13,892 13,910
Short term finances		112,719	Income tax refundable, advance tax and tax deducted at source	31,974 27,354
Liabilities against assets subject to finance lease		10,758	Cash and bank balances	7,741 4,786
Current portion of non-current liabilities:				564,469 437,584
- term finance certificates		9,413		
- demand finances		31,036		
Taxation		15,676		
		384,035		299,397
Contingencies and Commitments	7			
		1,951,736		1,806,071

The annexed notes form an integral part of this condensed interim financial information.

*Raza Kuli Khan*  
**Raza Kuli Khan Khattak**  
Chief Executive

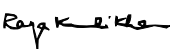
*Ali Kuli Khan Khattak*  
**Ali Kuli Khan Khattak**  
Director

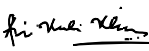
## BABRI COTTON MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	Quarter Ended	
	30 September	
	2013	2012
	Rupees in thousand	
<b>Sales-net</b>	533,671	428,941
<b>Cost of Sales</b>	440,606	369,142
<b>Gross Profit</b>	93,065	59,799
<b>Distribution Cost</b>	1,862	9,244
<b>Administrative Expenses</b>	15,629	11,227
<b>Other Operating Expenses</b>	6,561	2,304
<b>Other Operating Income</b>	(489)	(172)
	23,563	22,603
<b>Profit from Operations</b>	69,502	37,196
<b>Finance Cost</b>	4,638	14,086
<b>Profit before Taxation</b>	64,864	23,110
<b>Taxation - current</b>	5,337	2,144
<b>Profit after Taxation</b>	59,527	20,966
<b>Other Comprehensive Income</b>	0	0
<b>Total Comprehensive Income for the Period</b>	59,527	20,966
	— Rupees —	
<b>Earnings per Share</b>	16.30	5.74

The annexed notes form an integral part of this condensed interim financial information.

  
Raza Kuli Khan Khattak  
Chief Executive


  
Lt. Gen (Retd.)  
Ali Kuli Khan Khattak  
Director

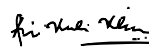
## BABRI COTTON MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	Quarter Ended	
	30 September	
	2013	2012
	Rupees in thousand	
<b>Cash flow from operating activities</b>		
Profit for the period - before taxation and share of profit of an Associated Company	64,864	23,110
Adjustments for non-cash charges and other items:		
Depreciation	12,409	12,604
Gain on sale of operating fixed assets - net	(242)	0
Amortisation of gain on forward foreign exchange contracts	0	(38)
Staff retirement benefits - gratuity (net)	1,501	677
Restructuring cost balance amortised	0	(31)
Finance cost	4,638	14,001
<b>Profit before working capital changes</b>	83,170	50,323
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(27,564)	(3,629)
Stock-in-trade	(90,416)	13,017
Trade debts	1,952	1,355
Advances to employees - net	906	(2,772)
Advance payments	(4,256)	(837)
Prepayments	(1,107)	(1,958)
Other receivables	1,116	(865)
Sales tax refundable	18	(1,228)
Increase / (decrease) in trade and other payables	68,257	64,785
	(51,094)	67,868
<b>Cash used in operations</b>	32,076	118,191
Taxes paid	(4,620)	(1,198)
<b>Net cash used in operating activities</b>	27,456	116,993
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(32,851)	(1,167)
Sale proceeds of operating fixed assets	1,874	0
Security deposits	70	0
<b>Net cash used in investing activities</b>	(30,907)	(1,167)
<b>Cash flow from financing activities</b>		
Demand finances repaid	0	(15,518)
Lease finances - net	(10,758)	(10,758)
Short term finances - net	24,398	(64,029)
Finance cost paid	(7,234)	(19,016)
<b>Net cash generated from financing activities</b>	6,406	(109,321)
<b>Net increase in cash and cash equivalents</b>	2,955	6,505
<b>Cash and cash equivalents - at beginning of the period</b>	4,786	2,107
<b>Cash and cash equivalents - at end of the period</b>	7,741	8,612

The annexed notes form an integral part of this condensed interim financial information.

  
Raza Kuli Khan Khattak  
Chief Executive

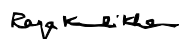
  
Lt. Gen (Retd.)  
Ali Kuli Khan Khattak  
Director

# BABRI COTTON MILLS LIMITED

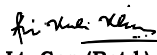
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

	Share capital	Reserves				Unappropriated profit	Total
		Share premium	General	Gain on hedging instruments	Sub-total		
Rupees in thousand							
Balance as at 30 June, 2012 - (audited)	36,522	15,096	88,000	3,034	106,130	217,199	359,851
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 - (note 4.2)	0	0	0	0	0	(6,681)	(6,681)
<b>Balance as at 30 June, 2012 - (restated)</b>	<b>36,522</b>	<b>15,096</b>	<b>88,000</b>	<b>3,034</b>	<b>106,130</b>	<b>210,518</b>	<b>353,170</b>
Total comprehensive Income for the quarter ended 30 September, 2012	0	0	0	0	0	20,966	20,966
Amortisation of gain on forward foreign exchange contracts	0	0	0	(38)	(38)	0	(38)
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) - on account of incremental depreciation for the quarter	0	0	0	0	0	3,485	3,485
<b>Balance as at 30 September, 2012</b>	<b>36,522</b>	<b>15,096</b>	<b>88,000</b>	<b>2,996</b>	<b>106,092</b>	<b>234,969</b>	<b>377,583</b>
Total comprehensive Income for the nine months period ended 31 March, 2013	0	0	0	0	0	194,422	194,422
Amortisation of gain on forward foreign exchange contracts	0	0	0	(114)	(114)	0	(114)
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) - on account of incremental depreciation for the quarter	0	0	0	0	0	10,458	10,458
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	2,036	2,036
<b>Balance as at 30 June, 2013</b>	<b>36,522</b>	<b>15,096</b>	<b>88,000</b>	<b>2,882</b>	<b>105,978</b>	<b>441,885</b>	<b>584,385</b>
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 - (note 4.2)	0	0	0	0	0	(13,904)	(13,904)
<b>Balance as at 30 June, 2013 - (restated)</b>	<b>36,522</b>	<b>15,096</b>	<b>88,000</b>	<b>2,882</b>	<b>105,978</b>	<b>427,981</b>	<b>570,481</b>
Total comprehensive Income for the quarter ended 30 September, 2013	0	0	0	0	0	59,527	59,527
Amortisation of gain on forward foreign exchange contracts	0	0	0	0	0	0	0
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) - on account of incremental depreciation for the quarter - on account of disposal of fixed assets	0	0	0	0	0	3,353	3,353
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	0	0
<b>Balance as at 30 September, 2013</b>	<b>36,522</b>	<b>15,096</b>	<b>88,000</b>	<b>2,882</b>	<b>105,978</b>	<b>491,507</b>	<b>634,007</b>

The annexed notes form an integral part of this condensed interim financial information.



Raza Kuli Khan Khattak  
Chief Executive



Lt. Gen (Retd.)  
Ali Kuli Khan Khattak  
Director

# BABRI COTTON MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER, 2013

### 1. Corporate information

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

### 2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 (the Ordinance). It has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended 30 June, 2013.

### 3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended 30 June, 2013.

### 4. Amendments to published standards effective during the current period

**4.1** Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on 01 July, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial

#### **4.2 Change in accounting policies due to application of amendments in IAS 19 'Employees Benefits'**

The Company has applied amendments in IAS 19 'Employees Benefits', which is applicable on accounting periods beginning on or after 01 January, 2013. The amendments have changed the accounting for defined benefits plans and employees termination benefits. However, the most significant change relates to elimination of corridor approach for recognizing actuarial gains and losses and calculation of finance cost on net funding basis. The amendments required the actuarial gains and losses to be recognised in the balance sheet immediately. The charge to profit and loss statement is based on interest income or expense calculated on the net defined benefit liability / asset at the start of the year by applying the discount rate to such net liability / asset.

In accordance with the transitional provisions, the Company has considered these amendments as change in accounting policy as applied them retrospectively. Consequently, the earliest periods presented in the Condensed Interim Statement of Changes in Equity and the Condensed Interim Balance Sheet have been restated. There is no impact on the Condensed Interim Profit and Loss account and Condensed Interim Cash Flow Statement.

The effect of retrospective application of the change in accounting policy are as follows:

	<b>Staff Retirement Benefits - Gratuity</b>	<b>Equity</b>
	<b>Rupees in thousand</b>	
Balance reported as at June 30, 2013	22,966	591,066
Remeasurement of retirement benefits obligation due to implementation of amendments in IAS 19 for the year ended June 30, 2012	6,681	(6,681)
Remeasurement of retirement benefits obligation due to implementation of amendments in IAS 19 for the year ended June 30, 2013	13,904	(13,904)
	<u>43,551</u>	<u>570,481</u>

#### 5. Accounting estimates and judgments

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the preceding annual financial statements for the year ended 30 June, 2013.

#### 6. Demand finances - secured

National Bank of Pakistan

	<b>Un-audited 30 September, 2013</b>
	<b>Rupees in thousand</b>
Balance of demand finances as at 30 June, 2013	54,312
Restructuring cost balance as at 30 June, 2013	110
	<u>54,422</u>
Less: current portion grouped under current liabilities	31,036
	<u>23,386</u>

#### 7. Contingencies and commitments

7.1 Counter guarantees given by the Company to National Bank of Pakistan outstanding as at 30 September, 2013 were for Rs.40 million (30 June, 2013: Rs.39 million).

**Un-audited 30 September, 2013**      **Audited 30 June, 2013**  
**Rupees in thousand**

7.2 Commitments for irrevocable letters of credit outstanding at the period / year-end were for:		
- raw materials	0	71,061
- capital expenditure	0	1,251
	<u>0</u>	<u>72,312</u>

#### 8. Property, plant and equipment

Operating fixed assets - tangible	1,293,575
Capital work-in-progress	
- Machinery	20,245
Stores held for capital expenditure	10,284
	<u>1,324,104</u>

#### 8.1 Operating fixed assets - tangible

	<b>Un-audited 30 September 2013</b>
	<b>Rupees in thousand</b>
Book value as at 30 June, 2013	1,305,295
Additions during the period:	
- plant & machinery	1,952
- furniture & fixtures	105
- office equipment	265
	<u>2,322</u>
Book value of plant & machinery disposed-off during the period	(1,633)
Depreciation charge for the period	(12,409)
Book value as at 30 September, 2013	<u>1,293,575</u>

#### 9. Transactions with related parties

9.1 Aggregate transactions made during the period with the Associated Companies were as follows:

	<b>Quarter ended 30 September 2013</b>	<b>2012</b>
	<b>Rupees in thousand</b>	
- insurance premium paid	0	500
- residential rent paid	72	216

9.2 No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were executed with other related parties during the period.

9.3 Trade and other payables include due to Associated Companies aggregating Rs.1,165 thousand (30 June, 2013: Rs. 1,093 thousand).

## 10. Financial risk management

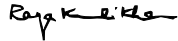
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's preceding annual financial statements for the year ended 30 June, 2013. There have been no changes in the risk management policies since the year-end.

## 11. Date of authorisation for issue

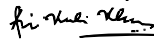
This condensed interim financial information was authorised for issue on 29 October, 2013 by the Board of Directors of the Company.

## 12. Corresponding figures

- To comply with the requirements of International Accounting Standard 34 (Interim Financial Reporting), the condensed interim balance sheet has been compared with the balances of preceding annual audited financial statements of the Company for the year ended 30 June, 2013, whereas, the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of the immediately preceding financial year, i.e. quarter ended 30 September, 2012.
- Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, no material re-arrangements / re-classifications have been made in this condensed interim financial information.



Raza Kuli Khan Khattak  
Chief Executive



Lt. Gen (Retd.)  
Ali Kuli Khan Khattak  
Director

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