

**Nine Month
Accounts
March
2014**

BIBOJEE GROUP



**BABRI COTTON MILLS
LIMITED**

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COMPANY'S PROFILE

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present the un-audited financial statements of the Company for the current quarter and nine months period ended on March 31, 2014 (current period).

FINANCIAL HIGHLIGHTS

	Quarter ended		Nine months ended	
	31 March,	31 March,	31 March,	31 March,
	2014	2013	2014	2013
	----- (Rupees in million) -----			
Sales – Net	470.193	522.559	1,534.634	1,499.747
Gross Profit	59.532	126.051	227.003	289.812
Profit from operations	40.505	106.376	162.943	232.633
Net Profit Before Taxation	27.365	94.006	144.555	198.162
Net Profit After Taxation	19.725	64.219	95.986	143.019
Earning Per Share - Rs.	5.40	17.58	26.28	39.16

REVIEW OF OPERATIONS

The company has earned Rs.144.555 million pre tax profit as compared to Rs.198.162 million for the corresponding period. The revenue of the company has slightly increased by Rs.34.890 million. The decrease in net profit is due to higher raw materials and over head costs during the period under review along with lower yarn sale rates.

FUTURE OUTLOOK

Import of Indian yarn has adversely affected the local yarn market. The traditional demand and price mechanism has also been negatively affected by the dumping of fine count yarn in the local market. Further, appreciation of Pak Rupee has also badly affected exporters which has slowed down the industry as a whole.

It is hoped that with improvement of electricity and gas/LNG supply, the current scenario will change. However, it seems that the depression in the yarn market will continue till the end of year 2014.

ACKNOWLEDGEMENT

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

For & on behalf of the board of directors,



Dr. Shaheen Kuli Khan Khattak
Chair Person

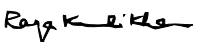
Dated: 29 April, 2014

BABRI COTTON MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

		Mar. 31, 2014 Un-audited	June 30, 2013 Audited and Re-stated
	Note	Rupees in thousand	
ASSETS			
Non-current Assets			
Property, plant and equipment	6	1,381,589	1,305,295
Investments in an Associated Company	7	71,486	61,363
Advances to employees		1,466	766
Security deposits		1,063	1,063
		1,455,604	1,368,487
Current Assets			
Stores, spares and loose tools		23,162	15,628
Stock-in-trade		669,968	348,027
Trade debts - unsecured, considered good		2,069	11,028
Advances to employees		7,893	6,063
Advance payments		8,412	5,008
Prepayments		1,435	334
Due from Associated Companies		1,093	1,072
Other receivables		4,150	4,374
Sales tax refundable		16,225	13,910
Income tax refundable, advance tax and tax deducted at source		21,982	27,354
Cash and bank balances		10,626	4,786
		767,015	437,584
TOTAL ASSETS		2,222,619	1,806,071
EQUITY AND LIABILITIES			
Equity			
Authorised capital		250,000	250,000
Issued, subscribed and paid-up capital		36,522	36,522
Reserves		105,870	105,978
Unappropriated profit		541,231	434,979
Shareholders' equity		683,623	577,479
Term Finance Certificates		7,061	25,888
Surplus on Revaluation of Property, Plant and Equipment		609,337	620,677
LIABILITIES			
Non-current Liabilities			
Demand finances	8	0	23,386
Staff retirement benefits - gratuity		49,535	43,551
Deferred taxation		248,202	215,693
		297,737	282,630
Current Liabilities			
Trade and other payables		133,735	131,906
Accrued interest / mark-up		13,086	6,866
Short term finances		428,799	88,321
Current portion of non-current liabilities:			
- term finance certificates		9,413	9,413
- demand finances	8	23,324	31,036
- liabilities against assets subject to finance lease		0	21,516
Taxation		16,504	10,339
		624,861	299,397
Total Liabilities		922,598	582,027
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		2,222,619	1,806,071

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


Raza Kuli Khan Khattak
Chief Executive

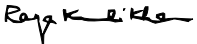

Dr. Shaheen Kuli Khan Khattak
Director

BABRI COTTON MILLS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

	For the 3rd quarter		Cumulative	
	Jan. - Mar., 2014	Jan. - Mar., 2013	July - Mar., 2014	July - Mar., 2013
Note	----- Rupees in thousand -----			
Sales - net	470,193	522,559	1,534,634	1,499,747
Cost of Sales	410,661	396,508	1,307,631	1,209,935
Gross Profit	59,532	126,051	227,003	289,812
Distribution Cost	1,520	719	4,051	4,286
Administrative Expenses	14,716	12,356	47,983	36,680
Other Expenses	2,992	8,246	13,216	18,425
Other Income	(201)	(1,646)	(1,190)	(2,212)
	19,027	19,675	64,060	57,179
Profit from Operations	40,505	106,376	162,943	232,633
Finance Cost	13,140	12,370	29,585	39,461
	27,365	94,006	133,358	193,172
Share of Profit of an Associated Company	0	0	11,197	4,990
	7			
Profit before Taxation	27,365	94,006	144,555	198,162
Taxation				
- current	11,873	2,717	16,504	7,683
- prior year	0	0	(444)	0
- deferred	(4,233)	27,070	32,509	47,460
	7,640	29,787	48,569	55,143
Profit after Taxation	19,725	64,219	95,986	143,019
Other Comprehensive Income	0	0	0	0
Total Comprehensive Income for the Period	19,725	64,219	95,986	143,019
	----- Rupees -----			
Earnings per Share	5.40	17.58	26.28	39.16

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


Raza Kuli Khan Khattak
Chief Executive

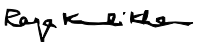

Dr. Shaheen Kuli Khan Khattak
Director

BABRI COTTON MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

	Nine months period ended	
	Mar. 31, 2014	Mar. 31, 2013
	Rupees in thousand	
Cash flow from operating activities		
Profit for the period - before taxation and share of profit of an Associated Company	133,358	193,172
Adjustments for non-cash charges and other items:		
Depreciation	36,694	37,924
Loss on sale of operating fixed assets - net	345	0
Amortisation of gain on forward foreign exchange contracts	(108)	(114)
Staff retirement benefits - gratuity (net)	5,984	625
Restructuring cost balance amortised	(63)	(230)
Finance cost	29,585	39,461
Profit before working capital changes	205,795	270,838
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(7,534)	(6,819)
Stock-in-trade	(321,941)	(136,903)
Trade debts	8,959	(13,814)
Advances to employees - net	(2,530)	(490)
Advance payments	(3,404)	(265)
Prepayments	(1,101)	(2,243)
Due from Associated Companies	(21)	0
Other receivables	224	(2,267)
Sales tax refundable	(2,315)	(4,470)
(Decrease) / increase in trade and other payables	1,829	55,091
	(327,834)	(112,180)
Cash used in operations	(122,039)	158,658
Taxes paid	(4,523)	(5,338)
Net cash used in operating activities	(126,562)	153,320
Cash flow from investing activities		
Fixed capital expenditure	(116,597)	(6,383)
Sale proceeds of operating fixed assets	3,264	33
Net cash used in investing activities	(113,333)	(6,350)
Cash flow from financing activities		
Term finance certificates redeemed	(18,827)	(9,414)
Demand finances repaid	(31,035)	(113,166)
Lease finances - net	(21,516)	(21,516)
Short term finances - net	340,478	47,124
Finance cost paid	(23,365)	(46,171)
Net cash generated from financing activities	245,735	(143,143)
Net (decrease) / increase in cash and cash equivalents	5,840	3,827
Cash and cash equivalents - at beginning of the period	4,786	2,107
Cash and cash equivalents - at end of the period	10,626	5,934

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


Raza Kuli Khan Khattak
Chief Executive

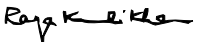

Dr. Shaheen Kuli Khan Khattak
Director

BABRI COTTON MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

	Reserves					Unappropriated profit	Total
	Share capital	Share premium	General	Gain on hedging instruments	Sub-total		
----- Rupees in thousand -----							
Balance as at June 30, 2012 (audited)	36,522	15,096	88,000	3,034	106,130	217,199	359,851
Effect of change in accounting policy (note 4)	0	0	0	0	0	(4,343)	(4,343)
Balance as at June 30, 2012 (audited and re-stated)	36,522	15,096	88,000	3,034	106,130	212,856	355,508
Total comprehensive income for the nine months period ended March 31, 2013	0	0	0	0	0	143,019	143,019
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 nine months period	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	822	822
Balance as at March 31, 2013 (un-audited and re-stated)	36,522	15,096	88,000	2,920	106,016	367,155	509,693
Total comprehensive income for the quarter ended June 30, 2013	0	0	0	0	0	72,369	72,369
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
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	1,214	1,214
Effect of change in accounting policy (note 4)	0	0	0	0	0	(9,244)	(9,244)
Balance as at June 30, 2013 (audited and re-stated)	36,522	15,096	88,000	2,882	105,978	434,979	577,479
Total comprehensive income for the nine months period ended March 31, 2014	0	0	0	0	0	95,986	95,986
Amortisation of gain on forward foreign exchange contracts	0	0	0	(108)	(108)	0	(108)
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation)							
- on account of incremental depreciation for the nine months period	0	0	0	0	0	10,054	10,054
- upon sale of revalued assets	0	0	0	0	0	1,286	1,286
Effect of items directly credited in equity by an Associated Company	0	0	0	0	0	(1,074)	(1,074)
Balance as at March 31, 2014	36,522	15,096	88,000	2,774	105,870	541,231	683,623

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


Raza Kuli Khan Khattak
Chief Executive


Dr. Shaheen Kuli Khan Khattak
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

1. Legal Status and Operations

Babri Cotton Mills Ltd. (the Company) was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Karachi Stock Exchange. It 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 (IAS) 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 audited annual financial statements of the Company for the year ended June 30, 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 audited annual financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy as referred to in note 4.

4. Amendments to Published Standards Effective in the Current Period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 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 information except for IAS 19 (Amendment), 'Employee Benefits'. The impact of this amendment on the condensed interim financial information is as follows:

IAS 19 (revised) has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefits - gratuity by adjusting the opening balance of unappropriated profit and retirement benefits for the prior period presented. No actuarial assessment has been carried-out for the preparation of this condensed interim financial information.

BABRI COTTON MILLS LIMITED

Effects of change in accounting policy are as follows:

	Staff retirement benefits - gratuity	Deferred taxation	Equity
	----- (Rupees in thousand) -----		
Balance as at June 30, 2012 - as previously reported	38,995	150,158	359,851
Recognition of unrecognised actuarial loss	6,681	(2,338)	(4,343)
Balance as at June 30, 2012 - as restated	<u>45,676</u>	<u>147,820</u>	<u>355,508</u>
Balance as at June 30, 2013 - as previously reported	22,966	222,691	591,066
Recognition of unrecognised actuarial loss			
- for the year ended June 30, 2012	6,681	(2,338)	(4,343)
- for the year ended June 30, 2013	13,904	(4,866)	(9,038)
- resultant adjustment due to reduction in tax rate	0	206	(206)
	<u>20,585</u>	<u>(6,998)</u>	<u>(13,587)</u>
	<u>43,551</u>	<u>215,693</u>	<u>577,479</u>

5. Accounting Estimates and Judgment

The preparation of 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 audited annual financial statements for the year ended June 30, 2013.

6. Property, Plant and Equipment

	Note	Un-audited Mar. 31, 2014 (Rupees in thousand)	Audited June 30, 2013
Operating fixed assets - tangible	6.1	1,276,536	1,305,295
Capital work-in-progress	6.2	68,866	0
Stores held for capital expenditure		36,187	0
		<u>1,381,589</u>	<u>1,305,295</u>

6.1 Operating Fixed Assets

Book value as at June 30, 2013	1,305,295
Additions during the period:	
- buildings on free hold land	
- factory	925
- non-factory	155
- plant & machinery	7,612
- furniture & fixtures	576
- office equipment	563
- generators	1,713
	11,544
Book value of plant & machinery disposed-off during the period	(3,609)
Depreciation charge for the period	(36,694)
Book value as at March 31, 2014	<u>1,276,536</u>

BABRI COTTON MILLS LIMITED

	Un-audited Mar. 31, 2014 (Rupees in thousand)	Audited June 30, 2013
6.2 Capital Work-in-Progress		
- building	8,287	
- plant & machinery	60,579	
	68,866	
7. Investments in an Associated Company - Quoted		
Janana De Malucho Textile Mills Ltd. (JDM)		
341,000 (June 30, 2013: 341,000) ordinary shares of Rs.10 each - cost	4,030	4,030
Equity held: 7.13% (June 30, 2013: 7.13%)		
Post acquisition profit brought forward including effect of items directly credited in equity by JDM	56,259	40,615
Profit for the period / year - net of taxation	11,197	16,718
	71,486	61,363
7.1 Market value of the Company's investment in JDM as at March 31, 2014 was Rs.29.871 million (June 30, 2013: Rs. 22.165 million).		
8. Demand Finances - secured		
National Bank of Pakistan		
Movement in the demand finances account during the current period was as follows:		
Balance of demand finances as at June 30, 2013	54,312	
Restructuring cost balance as at June 30, 2013	110	
	54,422	
Less:		
Instalment of demand finances repaid	15,517	
Restructuring cost balance amortised	63	
Excess repayment made due to improved gross profit earned	15,518	
	31,098	
Balance of demand finances as at March 31, 2014	23,324	
Less: current portion grouped under current liabilities	23,324	
	0	
9. Contingencies and Commitments		
9.1 Guarantee amounting Rs.50 million (June 30, 2013:Rs.39 million) issued by a commercial bank on the behalf of Company in favour of Sui Northern Gas Pipelines Ltd. was outstanding as at March 31, 2014.		

BABRI COTTON MILLS LIMITED

	Un-audited	Audited
	Mar. 31,	June 30,
	2014	2013
	(Rupees in thousand)	
9.2 Commitments against irrevocable letters of credit outstanding at the period / year-end were for:		
- raw materials	35,802	93,701
- capital expenditure	0	33,624
	35,802	127,325

9.3 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Income Tax Ordinance, 2001 (the Ordinance) starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company has filed a writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance, which is still pending adjudication. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the financial year ended June 30, 2012 was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.23.055 million were written-back in the books of account. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.39.712 million.

10. Transactions with Related Parties

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

	Nine months period ended	
	Mar. 31,	Mar. 31,
	2014	2013
	Rupees in thousand	
- purchase of services	944	988
- insurance premium paid	1,432	500
- residential rent paid	288	144

10.2 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.

10.3 Trade and other payables include due to Associated Companies aggregating Rs.690 thousand (June 30, 2013: Rs.1,093 thousand).

11. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This condensed interim financial information does not include all the financial risk management information and disclosures required in the audited annual financial statements, and should therefore be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2013. There have been no significant changes in the risk management policies since nine months period end.

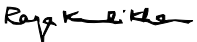
12. Date of Authorisation for Issue

This condensed interim financial information was authorised for issue on April 29, 2014 by the Board of Directors of the Company.

13. Corresponding Figures

In order to comply with the requirements of IAS 34 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual financial statements of the preceding financial year, whereas, the condensed interim profit and loss account and condensed interim cash flow statement have been compared with the balances of comparable period of the immediately preceding financial year, i.e. nine months period ended March 31, 2013.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. However, no significant re-classifications have been made except for re-statement made in accordance with IAS 19 (revised) as reflected in note 4 to this condensed interim financial information.


Raza Kuli Khan Khattak
Chief Executive


Dr. Shaheen Kuli Khan Khattak
Director

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