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# 50th ANNUAL REPORT

# 2020

# BABRI

## COTTON MILLS LIMITED

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بسم اللہ الرحمن الرحیم

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## COMPANY'S PROFILE

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | Lt. Gen. (Retd.) Ali Kuli Khan Khattak | Chairman |
| | Mr. Muhammad Iftikhar Ali | Chief Executive |
| | Mr. Ahmad Kuli Khan Khattak | |
| | Mrs. Shahnaz Sajjad Ahmad | |
| | Mr. Gohar Ayub Khan | |
| | Mr. Saad Waheed | |
| | Mr. Shoaib Ahmad Khan | |
| **AUDIT COMMITTEE** | Mr. Shoaib Ahmad Khan | Chairman |
| | Mr. Ahmad Kuli Khan Khattak | Member |
| | Mr. Saad Waheed | Member |
| **HUMAN RESOURCE & REMUNERATION COMMITTEE** | Mr. Shoaib Ahmad Khan | Chairman |
| | Mr. Ahmad Kuli Khan Khattak | Member |
| | Mr. Saad Waheed | Member |
| **COMPANY SECRETARY** | Mr. Naeem Ullah Malik ACCA | |
| **CHIEF FINANCIAL OFFICER** | Mr. Naeem Ullah Malik ACCA | |
| **INTERNAL AUDITOR** | Mr. Nasir Ali Khan ACCA, APA | |
| **AUDITORS** | M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants | |
| **SHARE REGISTRARS** | Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi<br>Tel : (021) 32424826, 32412754<br>Fax: (021) 32424835 | |
| **BANKERS** | National Bank of Pakistan<br>The Bank of Khyber | |
| **LEGAL ADVISOR** | 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<br>Tel : (0922) 862285 - 862284<br>Fax : (0922) 862283<br>Website : www.bcm.com.pk<br>E-mail : info@bcm.com.pk | |

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# 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.

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 50th Annual General Meeting of the company will be held at the registered office of the Company, Habibabad, Kohat on Wednesday the 21st October 2020 at 12:00 P.M. to transact the following business.

A. ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 17th July, 2020.

2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended 30th June 2020 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditors for the financial year 2020-21 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.

B. SPECIAL BUSINESS:

4. To consider and if thought fit, to pass the following resolutions as special resolutions with or without modification(s), addition(s) or deletion(s):

RESOLVED THAT:
Approval of members of the company be and is hereby accorded to give the Building and Plant & Machinery of the Company on lease to Janana De Malucho Textile Ltd. (JDM) an associated Company, w.e.f. October 1, 2020 to June 30, 2021.

FURTHER RESOLVED THAT amount of lease rental will be Rs.100,000/- per month. Both the companies have the option to terminate the lease with one-month prior notice.

FURTHER RESOLVED THAT:
The Company Secretary and Chief Executive of the company (the "Authorized Officers"), or such one or more persons as may, from time to time, be specifically designated by the Authorized Officers for the purpose, be and are, as the case may be, hereby authorized to complete all necessary legal and other corporate formalities with regard to this matter on behalf of the company and to do all such acts, deeds, matters and things, as may be deemed necessary and beneficial for the company in this regard.

All acts, deeds, and things done by the Authorized Officer pursuant to the above Resolutions for and on behalf of and in the name of the company shall be binding acts, deeds and things done by the company.

The Chief Executive Officer and the Company Secretary, be and are hereby jointly or severally authorized to take any further

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modifications/amendments/corrections in these Special Resolutions at a later stage if pointed out by Securities & Exchange Commission of Pakistan (SECP) and to take such other steps, execute such other documents and make necessary corporate and other filings as may be necessary or expedient for the purpose of giving effect to the above Special Resolutions and all other matters incidental or ancillary thereto."

5. To transact any other business with the permission of the Chair.

By order of the Board

Naeem Ullah Malik
Company Secretary

Kohat
Dated: 30th September 2020

NOTES:

1. The register of members of the Company will remain closed from 13th October 2020 to 21st October 2020 (both days inclusive). Transfers received in order by the Company's Shares Registrar, M/s. Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business (up to 05:00 P.M.) on 12th October, 2020 will be considered in time for registration in the name of the transferees, and be eligible for the purpose of attending and voting at the AGM.

2. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed must be deposited at the registered office of the company at least 48 hours before the time of 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 Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate entities should bring Board's resolution/Power of Attorney with specimen signatures required for the purpose.

4. Pursuant to Section 132(2) of the Companies Act, 2017, if the company receives consent from members holding aggregate 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least Seven (7) days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city.

5. Members are requested to notify immediately of any change in their addresses.

6. The notice of Annual General Meeting/Audited financial statements for the year ended 30th June 2020 have been placed at the Company's website.

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STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 REGARDING SPECIAL BUSINESS:

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the company to be held on 21st October 2020.

The BOD of the Company, in their meeting held on September 24, 2020 has decided to lease the building and plant & machinery of the Company and has offered the lease to JDM in order to keep the plant & machinery from irreparable damage and to save the Company from further loss and to keep the machinery in excellent working condition.

Directors of the company are only interested to the extent of their shareholding in the company.

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# نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا پچاسواں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ دفتر، حبیب آباد، کوہاٹ میں بروز بدھ 21 اکتوبر 2020ء کو دوپہر 12:00PM بجے مندرجہ ذیل کاروبار کے لین دین کے لئے منعقد ہوگا۔

1- 17 جولائی 2020ء کو منعقدہ غیر معمولی اجلاس عام کی کارروائی کی توثیق کرنا۔

2- ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ سالانہ آڈیٹڈ مالیاتی تفصیلات 30 جون، 2020 پر غور کرنا اور اس کا حصول اور منظوری۔

3- مالی سال 2021-2020 کے لئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔ بطور آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، لاہور نے خود کو دوبارہ تقرری کے لئے پیشکش کی ہے۔

خصوصی کاروبار:

4- اگر مناسب ہو یا غور کیا جائے تو، مندرجہ ذیل قراردادوں کو ترمیم، اضافہ یا حذف کے ساتھ یا ان کے بغیر پاس کرنا۔

طے پایا کہ، کمپنی کے ممبرز منظوری دیتے ہیں کہ 1 اکتوبر، 2020 سے 30 جون، 2021 تک متعلقہ کمپنی جانا نہ ڈی مالو چوٹیکسٹائل ملز لمیٹڈ (JDM) کو پلانٹ اینڈ مشینری اور عمارت لیز پر دے دیا جائے۔

مزید طے پایا کہ، لیز کرایہ پر دینے کی رقم مبلغ -/100,000 روپے ماہانہ ہوگی۔ دونوں کمپنیوں کے پاس ایک ماہ قبل کے نوٹس کے ساتھ لیز ختم کرنے کا اختیار ہے۔

مزید طے پایا کہ، کمپنی کے سیکرٹری اور کمپنی کے چیف ایگزیکٹو (مجاز آفیسر) یا اس طرح کے ایک یا ایک سے زیادہ افراد وقتاً فوقتاً مجاز افسروں کے ذریعے خاص طور پر اس مقصد کے لیے نامزد کئے جاسکتے ہیں، اس کے تحت کمپنی کی جانب سے اس معاملہ میں کمپنی کے پاس تمام ضروری، قانونی اور دیگر کارپوریٹ کاروائیوں کو مکمل کرنے کا اختیار ہے، اور ایسے تمام کام، اعمال، معاملات اور چیزیں انجام دینے کا اختیار ہے، جو اس سلسلے میں کمپنی کے لئے ضروری اور فائدہ مند سمجھا جاسکتا ہے۔

مزکورہ قراردادوں کے تحت، کمپنی کے نام سے اور اس کے نام سے مزکورہ بالا قراردادوں کے حصول کے لئے کیے جانے والے تمام کام، کاروائیاں اور ان پر عمل مجاز افسران کی ذمہ داری ہے۔

چیف ایگزیکٹو آفیسر اور کمپنی سیکرٹری، سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے بیان کئے گئے نقاط اور بعد میں ان خصوصی قراردادوں میں کسی بھی قسم کی ترمیم/اصلاحات کو مشترکہ طور پر یا متعدد طور پر اختیار کرنے کے لئے ہیں، اس طرح کے دیگر اقدامات اور دستاویزات پر عمل کرتے ہوئے مزکورہ خصوصی قراردادوں اور اس سے متعلق دیگر تمام معاملات کو اس ذیلی معاملات پر اثر انداز کرنے کے مقصد کے لئے کارپوریٹ اور دیگر ضروری فائلز بنائیں۔

5- صاحب صدر کی اجازت سے کسی دیگر امور پر غور وخوض۔

بحکم بورڈ

نعیم اللہ ملک

کمپنی سیکریٹری

کوہاٹ

مورخہ: 30 ستمبر، 2020

نوٹس:

1- کمپنی کی حصص منتقلی کی کتابیں 13 اکتوبر 2020ء تا 21 اکتوبر 2020ء (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے حصص کی منتقلی بذریعہ شیئر رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لیمیٹڈ، 5th فلور، کراچی چیمبرز، حسرت موہانی روڈ، کراچی ہوگی، جس میں 12 اکتوبر، 2020 کو شام 5 بجے تک کاروبار بند ہونے تک وصول ہونے والے تبادلوں کو اندراج کے لیے بروقت تصور کیا جائے گا، جو کہ سالانہ اجلاس عام میں شرکت اور ووٹنگ کے لئے اہل ہوں گے۔

2- اجلاس میں شرکت اور ووٹ دینے کا مستحق کوئی رکن اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر رکن کو اپنا/اپنی پراکسی مقرر کرسکتا/سکتی ہے۔ پراکسی کی تقرری اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کو لازماً وصول ہو جانی چاہئے۔

3- بصورت سی ڈی سی اکاؤنٹ ہولڈرز اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔ کارپوریٹ اداروں کے نمائندے اس مقصد کے لئے درکار نمونوں کے دستخط بمعہ بورڈ کی قرارداد/پاور آف اٹارنی ساتھ لائیں۔

4- کمپنیز ایکٹ 2017، سیکشن (2)132 کے تحت اگر کمپنی اجلاس میں حصہ لینے کے لئے جغرافیائی مقام پر رہنے والے مجموعی 10% یا اس سے زیادہ حصص رکھنے والے ارکان سے، اجلاس کی تاریخ سے 7 دن پہلے ویڈیو کانفرنس کے ذریعے اجلاس میں شمولیت کے لیے رضامندی حاصل کرتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرے گی۔ بشرطیکہ اس مقام/شہر میں متعلقہ سہولت میسر ہو۔

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5- ممبران سے درخواست ہے کہ اپنے پتوں میں تبدیلی اگر کوئی ہو تو کمپنی کو فی الفور مطلع فرمائیں۔

6- سالانہ اجلاس عام کا نوٹس/ آڈیٹڈ مالی تفصیلات برائے 30 جون، 2020 کمپنی کی ویب سائٹ پر بھی شائع ہیں۔

خصوصی کاروبار سے متعلق کمپنیز ایکٹ، 2017 کے سیکشن 134(3) کے تحت مادی حقائق کا بیان:

اس بیان میں 21 اکتوبر، 2020 کو ہونے والے کمپنی کے سالانہ اجلاس عام میں خصوصی کاروبار سے متعلق مادی حقائق کا تعین کیا گیا ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز نے 24 ستمبر، 2020 کو ہونے والی میٹنگ میں کمپنی کی عمارت اور پلانٹ اینڈ مشینری کو لیز پر دینے کا فیصلہ کیا ہے اور پلانٹ اینڈ مشینری کو ناقابل تلافی نقصان سے بچانے کے لئے اور مشینری کو کام کرنے کی عمدہ حالت میں رکھنے کے لئے JDM کو لیز کی پیش کش کی ہے۔

کمپنی کے ڈائریکٹرز کمپنی میں صرف ان کی حصص داری کی حد تک دلچسپی رکھتے ہیں۔

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## CHAIRMAN'S REVIEW

As the Chairman of the Board of Directors, I am pleased to present the review for the year ended June 30, 2020 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 happened to be very difficult for the company as compared to the previous year. The impact of COVID -19 pandemic has significantly impacted the operations and the supply chain of the company. It has also led to reduced demand amidst temporary suspension of the company's operations. On March 23, 2020, the Government of the Khyber Pakhtunkhwa announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 25, 2020. The company intends to resume partial productionactivity by the end of October, 2020 and has taken all necessary steps to ensure smooth and adequate continuation of its business despite slowed down economic activity.

The company's turnover reduced by 30.17% and its loss before taxation of Rs.381.785 Million, during the current reviewed period, has substantially increased by 300% from a loss of Rs.95.379 Million as compared to the previous period.

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

| | Year ended June 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **(Rupees in thousands)** | |
| **Sales** | **1,548,962** | 2,218,285 |
| **Gross (Loss) / Profit** | **(118,061)** | 121,480 |
| **Operating (Loss) / Profit** | **(226,820)** | 19,901 |
| **Finance Cost** | **(147,730)** | (115,890) |
| **Loss before Taxation** | **(381,785)** | (95,379) |
| **Loss after Taxation** | **(387,598)** | (39,018) |
| | **--------Rupees--------** | |
| **Loss per share** | **(106.13)** | (10.68) |

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The Board of Directors, in the meeting held on August 12, 2020, approved the merger of the Company with its associated company, Janana De Malucho Textile Mills Ltd. (JDM), which will achieve economies of scale.

## PERFORMANCE EVALUATION AND EFFECTIVENESS OF THE BOARD

The board has developed a policy to evaluate its own performance, as well as individual performances of every member and board committees.
While developing respective committees, as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 , the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee.

Frequency of the board's meeting during financial year 2019-20 was as follows:

- Board of Directors: **Seven**
- Board Audit Committee: **Four**
- Human resource and Remuneration Committee: **One**

The Company has established an independent Internal Audit department and follows a risk based audit methodology.

## BUSINESS RISKS, CHALLENGES AND FUTURE PERSPECTIVE

The global uncertainty caused by the pandemic may continue to pose a risk to the company's business should a second wave of COVID -19 hit the country. In the coming financial year, the textile industry in general may also face the challengeof High-power generation cost (due to increase in gas tariff by SNGPL):

Imposition of Sales Tax
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)

In order to reduce the negative impact of these challenges, the textile companies need to strategize on optimum utilization of their resources to achieve desired results.

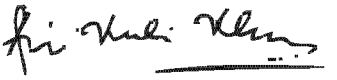
## ACKNOWLEDGEMENT

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

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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.



**September 24, 2020**

**Lt. Gen (Retd) Ali Kuli Khan Khattak**
**Chairman**

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## DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of the Company are pleased to present the 50th annual report of your company together with audited financial statements and auditors' report for the year ended June 30, 2020.

### 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 shuttle-less 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:

| | Year ended June 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **(Rupees in thousands)** | |
| **Sales** | **1,548,962** | 2,218,285 |
| **Gross (Loss) / Profit** | **(118,061)** | 121,480 |
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| **Loss after Taxation** | **(387,598)** | (39,018) |
| | **----------Rupees----------** | |
| **Loss per share** | **(106.13)** | (10.68) |

### Appropriation of Dividend

Keeping in view the current financial position, the directors have recommending cash dividend of Rs NIL per share i.e Nil % (June 30,2019: Rs Nil% per share).

### Comments on "qualified opinion" in the auditor's report

The auditors have pointed out that the fresh revaluation of buildings and plant & machinery as at June 30, 2020 has revealed that fair market values of these fixed assets on the aforementioned date were lower by Rs.132.607 million as compared to

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their carrying values. As the Company is headed towards a merger with its associated company, Janana De Malucho T extile Mills Ltd. (JDM), therefore, for the purpose of calculation of SWAP ratio, a fresh revaluation shall be carried out in order to properly ascertain the realistic values of company's assets.

**Comments on "emphasis of matter paragraph" in the auditor's report**

The Company has not made provisions against the levy of Gas Infrastructure Development Cess (GIDC) on the basis of following arguments:

- The Supreme Court of Pakistan (SCP) in its judgement dated 13 -08-2020 states that the cess under GIDC Act, 2015 was levied only on those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their customers / clients.

  In the light of the decision of the SC as described above, the Company has filed a review petition before the SCP for waiver of full amount of GIDC. Because the Company, being a spinning unit and producing raw material for weaving sector has not passed on burden of GIDC to its customers and company has never made any provision of GID C expense in its accounts which is conclusive proof that GIDC effect has not been passed on to the consumer. The yarn market is not a regulated market i.e., textile units are price takers not the price makers, therefore, spinning sector could not add GIDC in their prices and certainly has not collected the same from its customers.

- The Company has also challenged the levy of GIDC in the Peshawar High Court (PHC) also, on the basis of section 8(2) of the GIDC Act, 2015 which inter alia states that:

  " (2) Where any cess referred to in subsection (1) has not been paid or realized before the coming into force of this Act or if so paid or realized, has been refunded to or adjusted against other fees or taxes or charges payable by the gas consumers or the company, the same shall be recoverable in accordance with the provisions of this Act:

  Provided that the said cess shall not be collected from industrial sector excluding Fertilizer Fuel Stock, mentioned at S.No. 3 of the Second Schedule to both the Gas Infrastructure Development Cess Act, 2011 (XXI of 2011) and the Gas Infrastructure Development Cess Ordinance, 2014 (VI of 2014), if it has not been collected by it"

The PHC has granted stay order against recovery of GIDC under Section 8(2)

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of the GIDC Act, 2015. The PHC in its order dated 16-09-2020, has referred the case to OGRA and has asked them to hear the pleas of Textile sector and give decision on this point of Law.

The lawyers hired by KPTMA have said that our cases are very strong and valid and the PHC would not have granted stay after the decision of SCP if there has been no substance in Section 8(2) of the GIDC Act of 2015, and that that the decision of the Courts & OGRA will hopefully be in the favour of the Company and the spinning industry.

**Comments on material uncertainty relating to Going Concern as pointed out in the Auditor's Report**

The financial statements have been prepared on a going concern basis as the Company is viewed as continuing business for the foreseeable future and the management neither intends to liquidate the entity nor to cease its operations indefinitely. The mills operations were forced to be closed during March-2020, as per directives of KPK government due to COVID-19. The company's new management is planning to start manufacturing operations, at least by 50% of the installed capacity by end of October, after carrying out necessary repairs and maintenance required by plant and machinery. The company has also made payment of outstanding wages to its labor, in subsequent period. The company has also paid its due mark-up over long term loan to the Bank of Khyber and approval regarding deferment of mark-up over short term finance facilities by Bank of Khyber is also in process. Some partial payments of statutory obligations have also been made like sales tax, income tax, EOBI & ESSI and balance payment will also be made at the earliest. Furthermore, the new management of the company has also made some dispatches of raw materials and finished good inventory against advance receipts. As the company's production activities become fully operational, all remaining liabilities like creditors and other payables will also be reduced.

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**Financial perspective**

During the current fiscal period under review, turnover of the company has reduced by Rs.669.323 Million (30.17%) and the related cost of sales has also decreased by Rs.429.782 Million (20.49%), thereby resulting in gross **LOSS** of Rs.118.061 Million as compared to the gross **PROFIT** of Rs.121.480 Million during corresponding period. The company's loss before taxation of Rs.381.785 Million, during the current reviewed period, has substantially increased by 300% from a loss of Rs.95.379 Million as compared to previous period.

A few of the factors contributing towards Loss of the company are withdrawal of zero-rating regime for five export-oriented sectors including textile industry with effect from 01 July, 2019 and levy of 17% sales tax on sales to registered persons and 3% further tax on sales to unregistered persons, which amounts to 20% sales tax on our yarn sales to non-registered persons in Faisalabad yarn market.

Moreover, during the period under review we have faced under-utilization of our production capacities due to shut down of Faisalabad market and the suspension of Mills operations due to evolving COVID-19 situation in Pakistan, in compliance with the directives of the Provincial Government and Labour Department of KPK regarding the Lockdown as a measure to control the outbreak of COVID-19 pandemic and to ensure safety of our employees and workforce. The company had only been able to operate at 57% capacity utilization during this financial year, and non-absorption of fixed costs due to heavy under-utilization is also a cause of loss.

**Textile Industry Overview**

Our textile industry is facing significant economic issues & challenges in achieving desired GDP growth and export targets. The corona virus pandemic has hit Pakistan's economy hard like the rest of the world also.

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.

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.

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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. Imposition of 17% sales tax on this sector by rescinding S.R.O 1125 has further created a dampening impact on the entire value chain.

**Future Outlook**

The economic future depends on the time it takes to reverse the adverse effects of the pandemic on economic activities. With the extraordinary challenges posed by the crisis on almost all sectors of the national economy, the need to maintain food security and livelihoods has become even more important. Fiscal targets will be challenging to achieve as the Government plans to boost healthcare spending in the absence of adequate tax measures. However, now that the lockdown restrictions have been lifted completely because of decline in new COVID-19 cases, there is hope that the business activities shall be normalizing. If this proceeds smoothly, it is expected that the economy will resume its growth momentum. Let's all pray to Allah Almighty, that we are not hit by another wave of Covid-19 or another pandemic.

**Event After the Reporting Date**

The Board of Directors of the Company, in the meeting held on August 12, 2020, has discussed the matter of merger of the Company with Janana De Malucho Textile Mills Ltd. (JDM) and approved the merger of both the Companies. Further, the Board of the Company in the meeting held on September 24, 2020 has offered JDM to take the factory buildings and plant & machinery of the Company on lease in order to keep the plant & machinery of the Company in excellent working condition. This is a stop gap / interim arrangement till the completion of merger of both the entities.

**Corporate Governance and Financial reporting methodologies**

The Directors confirm compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the CCG Regulations) for the following matters:

**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

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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 the best practices of the CCG Regulations

**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 CCG Regulations.

**i)** There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2020, except for those disclosed in the financial statements

However, the Statutory Auditors of the Company have pointed out a non-compliance with the CCG Regulations in their Review Report on the Statement of Compliance. The point placed by the auditor's and managements comments on the point are given below:

| SR. # | AUDITOR'S OBSERVATION | MANAGEMENT'S REPLY |
|---|---|---|
| 1. | The Chief Financial Officer of the Company also holds the office of the Company Secretary. | When the previous CFO resigned from service, the BOD could not find any candidate who was willing to come to Kohat because of its location and security situation in the area. The BOD then decided to appoint the Company Secretary Mr. Naeem Ullah, to the position of Chief Financial Officer also, who was qualified for the position and was willing to take up the additional responsibilities of managing the finance department of the Company. |

## Composition of the Board

The Board of Directors of the Company as at 30th June, 2020, constitutes as follows:

| | |
|---|---|
| **Total number of directors** | **9** |
| Male | 8 |
| Female | 1 |
| **Independent Directors** | **4** |
| **Non-executive Directors** | **3** |
| **Executive Director** | **2** |

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**Meetings and attendance by each director**

During the financial year 2019-20, following meetings were held. The number of meetings attended by each director during the year is given here under:

| Director | STATUS | Board of Directors (BOD) | Board Audit Committee (BAC) | Human Resource & Remuneration Committee (HR&R) |
|---|---|---|---|---|
| Mr. Raza Kuli Khan Khattak | BOD member & CEO, until 17-07-2020 | 7/7 | N/M | 1/1 |
| Dr. Hamid Zeb Khan | BOD member & Chairman, until 17-07-2020 | 4/7 | N/M | N/M |
| Dr. Shaheen Kuli Khan Khattak | BOD member until 17-07-2020 | 4/7 | 2/4 | N/M |
| Mr. Gohar Ayub Khan | Re-elected on 18-07-2020 | 4/7 | N/M | N/M |
| Mr. Zahid Said | BOD member until 17-07-2020 | 7/7 | 4/4 | 1/1 |
| Mr. Amin Ullah Khan | -do- | 4/7 | 2/4 | N/M |
| Mr. Omar Khan Afridi | -do- | 4/7 | N/M | 1/1 |
| Mr. Sikandar Kuli Khan Khattak | -do- | 4/7 | N/M | N/M |
| Mr. Ahad Khattak | -do- | 6/7 | N/M | N/M |

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

**Election of Directors**

The previous BOD of the Company, on 30-03-2020, without holding Extra Ordinary General Meeting (EOGM), declared that 13 directors stand elected unopposed. Majority shareholders filed complaint with the Securities & Exchange Commission of Pakistan (SECP) against this act of the previous BOD. The Registrar of Companies, SECP, vide his letter No.5713/2/189/Cos, dated June 08, 2020, issued directions to the Company to hold a fresh EOGM for overdue election of directors. The fresh election of directors was held on 17 July, 2020 and 07 persons were elected as directors.

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The new BOD of the Company comprises of the following persons:

1- Lt. Gen (Retd.) Ali Kuli Khan Khattak
2- Mr. Ahmad Kuli Khan Khattak
3- Mrs. Shahnaz Sajjad Ahmad
4- Mr. Gohar Ayub Khan
5- Maj. (Retd.) Muhammad Zia (Resigned on 05-08-2020)
6- Mr. Muhammad Iftikhar Ali
7- Mr. Saad Waheed
8- Mr. Shoaib Ahmad Khan (Co-opted on 12-08-2020)

The new BOD held its meeting on 18-07-2020 for appointment of Chairman, Chief Executive Officer (CEO), and members of BAC & HR&R committees.

**Particulars of Chairman & CEO**

- Lt. Gen (Retd.) Ali Kuli Khan Khattak, Chairman
- Mr. Muhammad Iftikhar Ali, CEO

**Particulars of the members of Board Audit Committee**

- Mr. Shoaib Ahmad Khan, Chairman
- Mr. Ahmad Kuli Khan Khattak Member
- Mr. Saad Waheed Member

**Particulars of the members of HR & R Committee**

- Mr. Shoaib Ahmad Khan, Chairman
- Mr. Ahmad Kuli Khan Khattak Member
- Mr. Saad Waheed Member

The terms of reference for these committees have been developed, communicated and properly implemented. The BAC meets quarterly and HR& R Commttee meeting is held annnualy.

**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 independent & non-executive directors. We are also formulating comprehensive policy for it in line with the guidelines provided in CCG Regulations and Companies Act, 2017.

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**Performance evaluation of Directors on the Board**

The board has developed and adopted structured self-evaluation criteria and processes to evaluate its own performance, as well as individual performances of every member and its Committees.

**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 and quarterly and annual operational and financial results are placed on its official website www.bcm.com.pk.

**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.

**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, 2020 is attached with the Annual Report.

**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 30-06-2020.

| | | |
|---|---|---|
| 1. | **Government Sector** | **Rs. in Million** |
| (i) | Income tax | 4.365 |
| (ii) | Power & Fuel | 194.451 |
| (iii) | Financial institution/Banks | 147.730 |

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2. **Social Sector**

Employees/Workers' salaries/Wages 235.782

We have provided an employment to 942 permanent workers on an average during the financial year. 942 families with an average 5 family members (in the most affected area of KPK province) the employment cost comes to approx. Rs.236 million.

## Appointment of Auditors

The company's present auditor's M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants H.M House 7-bank square Lahore, retire and are eligible, to offer themselves for reappointment. The Board and Board Audit Committee have recommended that the retiring auditors be re-appointed until the conclusion of the next Annual General meeting.

## Acknowledgement

The board places on record its appreciation for the continued support extended to us by our customers, suppliers, bankers and other stake holders. The valuable services rendered by our work force and management are also gratefully acknowledged.

**On behalf of the Board of Directors**

Shoaib Ahmad Khan

**Shoaib Ahmad Khan**
**Director**

**Muhammad Iftikhar Ali**
Chief Executive Officer

**Dated: September 24, 2020**

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# ڈائریکٹرز رپورٹ برائے حصص یافتگان

میں بورڈ آف ڈائریکٹرز کی جانب سے، 50ویں سال 30 جون 2020 کے ختم ہونے پر کمپنی کے آڈیٹر کی جاری کردہ مالیاتی رپورٹ پیش کرنے میں خوشی محسوس کرتا ہوں۔

## کمپنی کا جائزہ۔

آپ کی کمپنی کی اصولی سرگرمی درمیانے درجے سے عمدہ میعار کا کارڈڈ اور کومڈ سوتر بنانا ہے۔ ہمارا گاہک بنیادی طور پر شٹل لیس اور ایئر جیٹ کی مشینوں سے کپڑا بنانے والے ہیں۔ ہمارے پاس دھاگہ بنانے والے عمل سے نکالے جانے والے کچرے سے اوپن اینڈ سے سوتر تیار کرنے کی صلاحیت بھی ہے۔

## کارکردگی کا جائزہ۔

کمپنی کی بنیادی سرگرمی سوتر بنانا اور بیچنا ہے۔ پچھلے سال کے مقابلے میں کمپنی کے مالیاتی نتائج کی اہم جھلکیاں مندرجہ ذیل ہیں۔

| | 2020 | 2019 |
|---|---|---|
| | روپے ہزاروں میں | |
| فروخت | 1,548,962 | 2,218,285 |
| عبوری (نقصان)/منافع | (118,061) | 121,480 |
| آپریشن سے (نقصان)/منافع | (226,820) | 19,901 |
| فنانس کی لاگت | (147,730) | (115,890) |
| ٹیکس سے پہلے نقصان | (381,785) | (95,379) |
| ٹیکس سے بعد نقصان | (387,598) | (39,018) |
| | ---روپے--- | |
| نقصان فی شیئر | (106.13) | (10.68) |

## ڈیویڈنڈ

کمپنی کے موجودہ مالی سال کے نتائج دیکھتے ہوئے بورڈ نے کیش ڈیویڈنڈ نہ دینے کی سفارش کی ہے۔

## آڈیٹر کی رپورٹ میں دیئے گئے اعتراض کا جواب:

۱۔ آڈیٹرز نے نشاندہی کی ہے کہ عمارتوں اور پلانٹ اور مشینری کا تازہ تشخیصی رپورٹ جو کہ 30 جون 2020 پر بنی تھی۔ اس میں انکشاف ہوا ہے کہ مذکورہ تاریخ پر ان طے شدہ اثاثوں کی منصفانہ مارکیٹ قیمت میں ان کے لے جانے کے مقابلہ میں 132.607 ملین روپے کم ہوئی ہے۔ چونکہ کمپنی اپنی منسلک کمپنی، جنانہ دی مالچو ٹیکسٹائل مل لمیٹڈ (جے ڈی ایم) کے ساتھ ضم ہونے کی طرف جارہی ہے، لہذا SWAP تناسب کا حساب کتاب کرنے کے مقصد سے، موجودہ تاریخ میں ایک نئی تشخیص کی جائے گی تاکہ صحیح طریقے سے کمپنی کے اثاثوں کی حقیقی قیمت کا پتہ لگ سکے۔

۲۔ کمپنی نے مندرجہ ذیل دلائل کی بنا پر گیس انفراسٹرکچر ڈویلپمنٹ سیس (جی آئی ڈی سی) کے عائد کرنے کے خلاف کوئی رقم مختص نہیں کی ہے۔

- سپریم کورٹ آف پاکستان نے 13/08/2020 کے اپنے فیصلے میں کہا ہے کہ جی آئی ڈی سی ایکٹ 2015 کے تحت سیس صرف قدرتی گیس کے ان صارفین پر عائد کیا گیا تھا جنہوں نے اس کا بوجھ اپنے صارفین پر منتقل کیا ہو۔

جیسا کہ اوپر بیان کیا گیا ہے، سپریم کورٹ آف پاکستان کے فیصلے کی روشنی میں، کمپنی نے سپریم کورٹ آف پاکستان کے سامنے جی آئی ڈی سی کی پوری رقم کی چھوٹ کے لئے جائزہ درخواست دائر کی ہے۔ چونکہ کمپنی، ایک دھاگہ بنانے والا یونٹ ہے اور کپڑے کی بنائی کے شعبے کے لئے خام مال کی تیاری میں اپنے صارفین پر جی آئی ڈی سی کا کوئی بوجھ نہیں ڈال رہی اور کمپنی نے کبھی بھی اپنے اکاؤنٹوں میں جی آئی ڈی سی اخراجات کے لیے کوئی رقم مختص نہیں کی ہے جو اس بات کا حتمی ثبوت ہے کہ جی آئی ڈی سی کے اثر کو منتقل نہیں کیا گیا ہے۔ سوتر کی منڈی ایک ریگولیٹڈ مارکیٹ نہیں ہے، یعنی ٹیکسٹائل یونٹ قیمت مختصر کرنے کا اختیار نہیں رکھتے۔ لہذا، دھاگہ بنانے والے اپنی قیمتوں میں جی آئی ڈی سی کو شامل نہیں کرسکتا ہے اور یقینی طور پر اس نے اپنے صارفین سے وصول بھی نہیں کیا ہے۔

- کمپنی نے جی آئی ڈی سی ایکٹ، 2015 کے سیکشن 8(2) کی بنا پر، پشاور ہائی کورٹ میں بھی جی آئی ڈی سی کے عمل درآمد کو چیلنج کیا ہے جس میں یہ کہا گیا ہے کہ:

"(2) جہاں ایکٹ کے ضمنی سیکشن (1) میں حوالہ دیا گیا ہے اس ایکٹ کے عمل درآمد سے پہلے اگر گیس صارفین نے اس کی ادائیگی نہیں کی یا کی ہے اور مذکورہ رقم واپس کردی گئی ہے یا گیس صارفین سے دوسری فیسوں یا ٹیکس یا الزامات کے تحت جو رقم وصول کرنی ہے تو اس رقم کو ایڈجسٹ کیا گیا ہے تو وہ اس ایکٹ کے تحت وصول کی جائے گی۔ بشرطیکہ مذکورہ رقم کھاد بنانے والی

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فیکٹریوں کے علاوہ دوسری صنعتوں نے اپنے گاہکوں سے وصول نہ کی ہو۔"

پشاور ہائی کورٹ نے جی آئی ڈی سی ایکٹ، 2015 کی دفعہ (2)8 کے تحت جی آئی ڈی سی کی بازیابی کے خلاف حکم امتناعی منظور کرلیا ہے۔ پشاور ہائی کورٹ نے 16/09/2020 کو اپنے حکم میں، کیس کو اوگرا کے پاس بھیج دیا ہے اوران سے ٹیکسٹائل سیکٹر کی درخواستوں پر سماعت کرنے کو کہا ہے اور قانون کے مطابق فیصلہ کرنے کو کہا گیا ہے۔

کے پی ٹی ایم اے کی خدمات حاصل کرنے والے وکلاء نے کہا ہے کہ ہمارے معاملات بہت مضبوط اور درست ہیں اور پشاور ہائی کورٹ نے اگر سپریم کورٹ آف پاکستان کے فیصلے کے بعد 2015 تک کے جی آئی ڈی سی ایکٹ کی دفعہ (2)8 میں کوئی نوٹس نہیں لیا ہے۔ امید ہے کہ عدالتوں اوراوگرا کا فیصلہ کمپنی اور سوتر کی صنعت کے حق میں ہوگا۔

غیر یقینی صورتحال پر آڈیٹر کی رپورٹ میں دیئے گئے اعتراض کا جواب:

مالیاتی حسابات ایک تشویشناک بنیاد پر تیار کیے گئے ہیں کیونکہ کمپنی کو مستقبل قریب میں ایک مسلسل کاروبار کے طور پر دیکھا جاتا ہے اور انتظامیہ نہ تو اس ادارے کو ختم کرنے کا ارادہ رکھتی ہے اور نہ ہی اس کی کاروائیاں غیر معینہ مدت تک روکنے کا ارادہ رکھتی ہے۔ کووڈ 19 کی وجہ سے کے پی کے حکومت نے مارچ 2020 میں ملز کو بند کرنے پر مجبور کیا تھا۔ کمپنی کی نئی انتظامیہ نے ضروری دیکھ بھال اور مرمت کے بعد ماہ اکتوبر کے آخر میں 50 فیصد ملز کو چلانے کا ارادہ رکھتی ہے۔ کمپنی نے مزدوروں کی بقایا اجرتیں بھی ادا کردی ہیں۔ کمپنی نے بینک آف خیبر کو طویل مدتی قرض پر واجب الادا مارک اپ کی ادائیگی بھی کی ہے اور بینک آف خیبر کی جانب سے مختصر مدت کے فنانس سہولیات پر مارک اپ ملتوی کرنے کے بارے میں منظوری کے لیے درخواست کی ہے۔ قانونی ذمہ داریوں کے تحت کچھ جزوی ادائیگی بھی کی گئی ہے جیسے سیلز ٹیکس، انکم ٹیکس، ای او بی آئی اور ای ایس ایس آئی اور بینفٹس کی ادائیگی بھی جلد از جلد کی جائے گی۔ مزید برآں، کمپنی کی نئی انتظامیہ نے خام مال کی کچھ ترسیلات بھی کیں اور پیشگی وصولیوں کے بعد اچھی انوینٹری ختم کردی۔ چونکہ کمپنی کی پیداواری سرگرمیاں مکمل طور پر آپریشنل ہوجاتی ہیں، تو باقی تمام ذمہ داریوں جیسے قرض کی واپسی اور دیگر ادائیگی بھی ہوجائیں گی۔

مالی نقطہ نظر

زیر جائزہ موجودہ مالی سال کے دوران، کمپنی کے کاروبار میں 669.323 ملین (30.17 فیصد) کی کمی واقع ہوئی ہے اور فروخت سے متعلقہ لاگت میں بھی 469.782 ملین (20.49 فیصد) کی کمی واقع ہوئی ہے، جس کے نتیجے میں مجموعی نقصان 118.061 ملین روپے رہا ہے۔ پچھلے مالی سال کی اسی مدت کے دوران 121.480 ملین روپے کا مجموعی منافع ہوا تھا۔ موجودہ جائزہ مدت کے دوران 381.785 ملین روپے ٹیکس لگانے سے قبل کمپنی کا خسارہ ہے، اس عرصے کے مقابلہ میں گزشتہ سال میں 95.379 ملین روپے کا خسارہ تھا جو کافی حد تک 300 فیصد سے بڑھ گیا ہے۔

کمپنی کو نقصان پہنچانے میں کچھ عوامل میں ٹیکسٹائل انڈسٹری صفر فیصد سیلز ٹیکس کا 01 جولائی، 2019 سے خاتمہ جس کی وجہ سے رجسٹرڈ افراد کو فروخت پر 17 فیصد سیلز ٹیکس عائد کرنا ہے اور 3 فیصد مزید سیلز ٹیکس غیر رجسٹرڈ افراد کو فروخت پر عائد ہونا ہے جبکہ فیصل آباد سوتر مارکیٹ میں غیر رجسٹرڈ افراد کی وجہ سے ہماری سوتر کی فروخت پر 20 فیصد سیلز ٹیکس ہے۔

مزید برآں، اس مالی سال کے دوران کووڈ 19 کی وجہ سے فیصل آباد مارکیٹ کے بند کرنے، صوبائی حکومت اور لیبر کے محکموں کے حکم پر کمپنی کے آپریشنوں کو معطل کرنے کی وجہ سے اپنی پیداواری صلاحیتوں کے استعمال میں کمی کا سامنا کرنا پڑا ہے، صوبائی حکومت کی ہدایت کے مطابق اور لاک ڈاؤن کے بارے میں کے پی کے کا محکمہ لیبر، کووڈ 19 وبائی بیماری کے وباء پر قابو پانے اور ہمارے ملازمین اور افرادی قوت کی حفاظت کو یقینی بنانے کی خاطر کمپنی اس مالی سال کے دوران صرف 57 فیصد صلاحیت کے استعمال پر کام کرسکتی تھی، جبکہ اس کے برعکس کمپنی کے مکمل بند ہونے کی صورت میں مقررہ اخراجات کو نہ اٹھانے کی صورت میں یہ نقصان ہوا ہے۔

ٹیکسٹائل کی صنعت کا جائزہ

ہماری ٹیکسٹائل انڈسٹری کو مطلوبہ جی ڈی پی نمو اور برآمد کے اہداف کے حصول میں اہم معاشی مسائل اور چیلنجوں کا سامنا ہے۔ کرونا وائرس کے وبائی امراض نے پوری دنیا کی طرح پاکستان کی معیشت کو بھی سخت متاثر کیا ہے۔ کمپنی کو فائن سوتر بنانے کے لیے درآمدی خام مال پر کافی انحصار کرنا پڑتا ہے، جو اضافی درآمد/کسٹم ڈیوٹی کے تابع ہوتے ہیں، اس طرح خام مال کے اخراجات میں اضافہ ہوتا ہے۔ اس کے علاوہ پڑوسی ممالک کے مقابلے میں بجلی کی پیداوار اور مزدوری لاگت کے ساتھ ساتھ سیلز ٹیکس کی واپسی میں پھنس جانے والی بھاری رقوم کی وجہ سے اس شعبے کو درپیش دیگر چیلنجز کا سامنا ہے۔ ایس آر او 1125 کی منسوخی کی وجہ سے اس شعبے پر 17 فیصد سیلز ٹیکس نافذ ہونے سے پوری ٹیکسٹائل کی صنعت پر مزید برا اثر پڑا ہے۔

مستقبل کا نقطہ نظر

معاشی مستقبل کا انحصار اس وقت پر ہوتا ہے جو معاشی سرگرمیوں پر وبائی امراض کے منفی اثرات کو ختم کرنے میں مدد کرتا ہے۔ قومی معیشت کے تقریباً تمام شعبوں پر اس بحران کے باعث پیدا ہونے والے غیر معمولی چیلنجوں کے بعد، غذائی تحفظ اور معاش کو برقرار رکھنے کی ضرورت اور بھی اہم ہوگئی ہے۔ مالی اہداف حاصل کرنا مشکل ہوگا کیونکہ حکومت ٹیکس کے مناسب اقدامات کی عدم موجودگی میں صحت کی دیکھ بھال کے اخراجات میں اضافے کا ارادہ رکھتی ہے۔ تاہم، اب جبکہ کووڈ 19 کے نئے معاملات میں کمی کی وجہ سے لاک ڈاون پابندیوں کو مکمل طور پر ختم کردیا گیا ہے، امید ہے کہ کاروباری سرگرمیاں معمول پر آئیں گی۔ اگر یہ معاملات آسانی سے آگے بڑھتے ہیں تو، توقع کی جاتی ہے کہ معیشت اپنی نمو کی رفتار دوبارہ شروع کرے گی۔ آیئے ہم سب اللہ رب العزت سے دعا مانگتے ہیں کہ ہم کووڈ۔19 یا کسی اور وبائی بیماری کا شکار نہ ہوں۔

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موجودہ عوامل کے بعد کے معاملات:

کمپنی کے بورڈ آف ڈائریکٹرز نے 12 اگست 2020 کو ہونے والی میٹنگ میں، کمپنی کے جانانہ دی مالو چوٹیکسٹائل ملز لمیٹڈ کے ساتھ انضمام کے معاملے پر تبادلہ خیال کیا ہے اور دونوں کمپنیوں کے انضمام کی منظوری دی ہے۔ مزید یہ کہ کمپنی کے بورڈ نے 24 ستمبر 2020 کو ہونے والی میٹنگ میں جانانہ دی مالو چوٹیکسٹائل ملز لمیٹڈ کو کمپنی کی فیکٹری عمارتوں اور پلانٹ اور مشینری کو لیز پر لینے کی پیش کش کی ہے تا کہ کمپنی کے پلانٹ اور مشینری کو عمدہ کام کی حالت میں رکھا جا سکے۔ یہ دونوں اداروں کے انضمام کی تکمیل تک عبوری انتظام ہے۔

کارپورٹ گورننس اور مالی رپورٹنگ فریم ورک

کمپنی کے ڈائریکٹرز یہ بتاتے ہوئے خوش ہیں کہ آپ کی کمپنی سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کے بہترین طریق کار کے مطابق ہے۔ بورڈ کا مزید کہنا ہے کہ:

۱۔ کمپنی کے حسابات جس میں اکاؤنٹ کی کتابیں، نفع اور نقصان کا اکاؤنٹ، بیلنس شیٹ اور دیگر حسابات مروجہ قوانین کے تحت تیار کیے گئے ہیں۔

۲۔ کمپنی کے حسابات تیار کرنے کے لیے مناسب مالیاتی پالیسیوں کا استعمال کیا ہے۔

۳۔ کمپنی نے حسابات کی کتابیں موثر طریقے سے رکھی ہیں۔

۴۔ بین الاقوامی اکاؤنٹنگ معیار جو کہ پاکستان میں لاگو ہوتے ہیں، ان کو مالیاتی حسابات کی تیاری میں اور اداروں میں اپنایا گیا ہے۔

۵۔ اندرونی کنٹرول کا نظام درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا اور نگرانی کی گئی ہے۔ اندرونی کنٹرول کی نگرانی کے عمل کے کنٹرول کو مضبوط بنانے اور نظام میں بہتری لانے کے مقصد کے ساتھ آگے بڑھتے ہوئے عملی طور پر جاری رہے گا۔

۶۔ کمپنی کی تشویش کے بطور جاری رکھنے کی صلاحیت کے بارے میں کوئی اہم شبہات نہیں ہیں۔ جائزہ تشویش سے متعلق مادی غیر یقینی صورتحال پر، آڈیٹر کی رپورٹ میں بتایا گیا ہے۔ اور اس پر کمپنی کی رائے دے دی گئی ہے

۷۔ لسٹڈ کمپنیوں (کارپوریٹ گورننس) کے ضابطوں، 2019 (سی سی جی ریگولیشنز) کے بہترین طریقوں کے مطابق ہیں۔

۸۔ بورڈ کے پاس ایک قائم شدہ آڈٹ کمیٹی اور انسانی وسائل و معاوضے کی کمیٹی ہے، اور کارپوریٹ گورننس کے ضابطوں کے ضابطہ اخلاق کی تعمیل کے لئے ایک آزاد ڈائریکٹر کو ان کمیٹیوں کا چیئرمین مقرر کیا گیا ہے۔

۹۔ 30/06/2020 پر کمپنی کے ذمہ کسی بھی قسم کا قانونی ٹیکس، لیویز یا چارجز نہیں ہیں ماسوائے ان ادائیگیوں کے جو ان حسابات میں بتائی گئی ہیں۔

تاہم، کمپنی کے آڈیٹرز نے اپنی جائزہ رپورٹ میں سی سی جی کی قواعد و ضوابط کی عدم تعمیل کی نشاندہی کی ہے۔ آڈیٹر کا اعتراض اور اس پر انتظامیہ کا جواب ذیل میں دیا گیا ہے۔

| | آڈیٹر کا اعتراض | انتظامیہ کا جواب |
|---|---|---|
| ۱۔ | کمپنی کا چیف فنانشل آفیسر، کمپنی سکریٹری کا عہدہ بھی رکھتا ہے۔ | جب سابقہ چیف فنانشل آفیسر نے ملازمت سے استعفیٰ دے دیا تو، بورڈ کو کوئی امیدوار نہیں مل سکا جو علاقے میں اس کی جگہ اور سیکیورٹی کی صورتحال کی وجہ سے کوہاٹ آنے کے لئے راضی ہو۔ بورڈ نے اس کے بعد کمپنی کے سکریٹری جناب نعیم اللہ کو چیف فنانشل آفیسر کے عہدے پر تعینات کرنے کا فیصلہ کیا، جو اس منصب کے لئے اہل تھا اور وہ کمپنی کے فنانس کے محکمے کی اضافی انتظامی ذمہ داریاں اٹھانے پر راضی تھا۔ |

بورڈ کی ساخت:

30 جون 2020 پر بورڈ کی تشکیل کچھ اس طرح ہے۔

| | |
|---|---|
| ڈائریکٹرز کی کل تعداد | ۹ |
| مرد | ۸ |
| خاتون | ۱ |
| آزاد ڈائریکٹرز | ۴ |
| ایگزیکٹو ڈائریکٹر | ۳ |
| دوسرے غیر ایگزیکٹو ڈائریکٹر | ۲ |

بورڈ اور اسکی کمیٹیوں کے اجلاس:

سال 2019-20 کے دوران، ڈائریکٹرز کی طرف سے شرکت کی میٹنگ کی تعداد یہاں درج کی گئی ہے۔

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| ڈائریکٹر | حالت | بورڈ آف ڈائریکٹر | بورڈ آڈٹ کمیٹی | ایچ آر کمیٹی |
|---|---|---|---|---|
| جناب رضا قلی خان خٹک | 17/07/2020 تک بورڈ کے ممبر اور چیف ایگزیکٹو آفیسر رہے | 7/7 | - | 1/1 |
| جناب ڈاکٹر حامد زیب | 17/07/2020 تک بورڈ کے ممبر اور چیئرمین رہے | 4/7 | - | - |
| محترمہ ڈاکٹر شاہین قلی خان خٹک | 17/07/2020 تک بورڈ کی ممبر رہی | 4/7 | 2/4 | - |
| جناب گوہر ایوب خان | 18/07/2020 کو دوبارہ منتخب ہوئے | 4/7 | - | - |
| جناب زاہد سعد | 17/07/2020 تک بورڈ کے ممبر رہے | 7/7 | 4/4 | 1/1 |
| جناب امین اللہ خان | 17/07/2020 تک بورڈ کے ممبر رہے | 4/7 | 2/4 | - |
| جناب عمر خان آفریدی | 17/07/2020 تک بورڈ کے ممبر رہے | 4/7 | - | 1/1 |
| جناب سکندر قلی خان خٹک | 17/07/2020 تک بورڈ کے ممبر رہے | 4/7 | - | - |
| جناب احد خٹک | 17/07/2020 تک بورڈ کے ممبر رہے | 6/7 | - | - |

ڈائریکٹرز کی درخواست جس میں انہوں نے ذاتی مصروفیات کی بناپر اجلاس میں حاضر ہونے سے معزرت کی جس کو قبول کیا گیا۔

ڈائریکٹرز کا انتخاب

سابقہ بورڈ آف ڈائریکٹرز نے 30/03/2020 کو کسی اضافی عام جرنل میٹنگ کے بغیر 13 ڈائریکٹرز کو بلا مقابلہ منتخب کرنے کا اعلان کیا۔ حصص یافتگان کی اکثریت نے سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس گذشتہ سابقہ بورڈ آف ڈائریکٹرز کے اس گھناؤنی حرکت کے خلاف شکایت درج کی تھی۔ رجسٹرار آف کمپنیز، ایس ای سی پی، نے اپنے خط نمبر 5713/2/189/Cos مطابق، 08 جون 2020 کو، کمپنی کو ہدایت جاری کی کہ وہ ڈائریکٹرز کے زائد المیعاد انتخابات کے لئے ایک نیا اضافی عام جرنل میٹنگ منعقد کرے۔ ڈائریکٹرز کا تازہ انتخاب 17 جولائی 2020 کو ہوا تھا اور بیلٹنگ کے بعد 07 افراد کو چنا گیا تھا۔ کمپنی کا نیا بورڈ آف ڈائریکٹرز ان افراد پر مشتمل ہے۔

۱۔ لیفٹیننٹ جرنل (ریٹائرڈ) علی قلی خان خٹک
۲۔ جناب احمد قلی خان خٹک
۳۔ محترمہ شہناز سجاد احمد
۴۔ جناب گوہر ایوب خان
۵۔ میجر (ریٹائرڈ) محمد ضیا (05/08/2020 کو استعفی دے دیا)
۶۔ جناب محمد افتخار علی
۷۔ جناب سعد وحید
۸۔ جناب شعیب احمد خان (12/08/2020 کو منتخب کیا گیا)

نئے بورڈ آف ڈائریکٹرز کا اجلاس 18/07/2020 کو چیئرمین، چیف ایگزیکٹو آفیسر (سی ای او) بورڈ آڈٹ کمیٹی اور انسانی وسائل اور معاوضے کی کمیٹی کے ممبروں کی تقرری کے لئے ہوا۔

چیئرمین، چیف ایگزیکٹو آفیسر کی تفصیلات:

۱۔ لیفٹیننٹ جرنل (ریٹائرڈ) علی قلی خان خٹک، چیئرمین،
۲۔ جناب محمد افتخار علی، چیف ایگزیکٹو آفیسر

بورڈ آڈٹ کمیٹی کی تفصیلات:

| | | |
|---|---|---|
| ۱۔ | جناب شعیب احمد خان | چیئرمین |
| ۲۔ | جناب احمد قلی خان خٹک | رکن |
| ۳۔ | جناب سعد وحید | رکن |

انسانی وسائل اور معاوضے کی کمیٹی کی تفصیلات:

| | | |
|---|---|---|
| ۱۔ | جناب شعیب احمد خان | چیئرمین |
| ۲۔ | جناب احمد قلی خان خٹک | رکن |
| ۳۔ | جناب سعد وحید | رکن |

ان کمیٹیوں کی کام کرنے کے اصول تیار کئے گئے اور ان پر عمل درآمد بھی ہو رہا ہے۔ بورڈ آڈٹ کمیٹی سال میں چار دفعہ اور انسانی وسائل اور معاوضے کی کمیٹی سال میں ایک دفعہ منعقد ہوتی ہیں۔

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ڈائریکٹرز کا معاوضہ:

سال کے دوران کمپنی کے ڈائریکٹرز کو معاوضے کی ادائیگی کی تفصیلات مالی حسابات میں فراہم کی جاتی ہیں۔آزاد اور غیر ایگزیکٹو ڈائریکٹرز کو صرف میٹنگ کی فیس ادا کی جاتی ہے۔ہم سی سی جی ریگولیشنز اور کمپنیز ایکٹ، 2017 میں فراہم کردہ رہنما اصولوں کے مطابق بھی اس کے لئے جامع پالیسی تشکیل دے رہے ہیں۔

بورڈ پر ڈائریکٹرز کی کارکردگی کا جائزہ:

بورڈ نے اپنی کارکردگی کا جائزہ لینے کے لئے خود تشخیصی ساختہ معیارات اور عمل تیار کیے ہیں، نیز ہر ممبر اور اس کی کمیٹیوں کی انفرادی کارکردگی کی جانچ پڑتال کرتا ہے۔

صحت، حفاظت اور ماحولیات

ہم اپنے ملازمین کی صحت اور حفاظت کے لئے اپنی ذمہ داری محسوس کرتے ہیں۔کسی بھی حادثہ کی صورت میں ہمارے احاطے میں واقع ڈسپنسری میں فرسٹ ایڈ کی مناسب طبی امداد فراہم کی جاتی ہے۔ہم کوشش کر رہے ہیں کہ ہم اپنے احاطے اور قریبی علاقوں میں صحت، حفاظت اور صفائی ستھرائی کے بہترین معیار کو برقرار رکھیں۔

اسٹیک ہولڈرز کے ساتھ خط و کتابت

کمپنی کے آپریشنل اور مالی نتائج اس کی سرکاری ویب سائٹ www.bcm.com.pk پر رکھے گئے ہیں۔

کارپوریٹ سماجی ذمہ داری

ہم انسانیت کی خدمت میں اہمیت کو مضبوطی سے محسوس کرتے ہیں اور یہ یقینی بنانے کی کوشش کرتے ہیں کہ بہترین ممکنہ فوائد مستحق افراد تک پہنچائے جائیں۔ہم اپنی اسٹریٹجک ٹیم کے ممبروں کو بھی اس طرح کی سرگرمیوں میں فعال شرکت کے لئے اپنا وقت وقف کرنے کی ترغیب دیتے ہیں۔

جملہ آپریٹنگ اور مالی اعداد و شمار (گزشتہ چھ سال کے)

شیئر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار اس کتاب میں موجود ہیں۔

شیئر ہولڈر کا پیٹرن

30 جون، 2020 پر شیئر ہولڈنگ کے پیٹرن اور اس سے متعلق اضافی معلومات اس رپورٹ میں شامل کی گئی ہیں۔

حکومت اور سماجی شعبہ کی طرف سے ہماری کمپنی کی شراکت

اس سال آپ کی کمپنی نے حکومت اور سماجی شعبہ کو مندرجہ ذیل ادائیگی کی ہے۔

| | | رقم ملین میں |
|---|---|---|
| ۱۔ | حکومتی اداروں کو ادا کیے | |
| | انکم ٹیکس کی مد میں | 4.365 |
| | بجلی اور گیس کی مد میں | 194.451 |
| | بینکوں اور دیگر اداروں کو ادائیگی | 147.730 |
| ۲۔ | ملازمین کی تنخواہوں، اجرتوں اور دیگر فوائد کی مد میں | 235.782 |

ہم نے اوسط 942 مستقل افراد کو ملازمت دے رہے ہیں جو کہ خیبر پختونخوا کے صوبے میں کم از کم 5 افراد پر مشتمل 942 خاندان کے سہارا ہیں۔جس کا سالانہ خرچہ 236 ملین روپے ہے۔

آڈیٹر کی تقرری

کمپنی کے آڈیٹرز جو کہ میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، ۷ بینک سکوئر، لاہور جو اس سال ریٹائیر ہو گئے ہیں نے دوبارہ تقرری کے لیے خدمات پیش کی ہیں۔کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ان کی دوبارہ تقرری کے لیے سفارش کی ہے۔

اعتراف

بورڈ اپنے گاہکوں، سپلائرز، بینکروں اور دیگر اسٹیک ہولڈرز کی طرف سے ہم تک جاری رکھی جانے والی حمایت کے لئے اس کی تعریف ریکارڈ کرتے ہیں۔ہمارا فرادی قوت اور انتظامیہ کے ذریعہ پیش کردہ خدمات کا بھی شکر گزار اعتراف کیا جاتا ہے

تاریخ: 24 ستمبر 2020

Shoaib Ahmad Khan

شعیب احمد خان
ڈائریکٹر

محمد افتخار علی
چیف ایگزیکٹو آفیسر

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## SUMMARY OF KEY OPERATING AND FINANCIAL DATA

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|
| CAPACITY AND PRODUCTION | | | | | | | | |
| Spindles installed | Nos | 53,040 | 53,040 | 53,040 | 53,040 | 50,160 | 53,256 | **53,340** |
| Average spindles worked during the year | Nos | 51,905 | 50,777 | 49,598 | 49,566 | 49,212 | 50,464 | **41,397** |
| Production for the year/period | Lbs in million | 10.372 | 10.447 | 8.995 | 9.418 | 8.497 | 9.007 | **4.692** |
| Average count spun during the year/period | | 51.30 | 49.08 | 56.38 | 54.51 | 58.86 | 57.87 | **63.66** |
| **PROFIT AND LOSS ACCOUNT** | | | | | | | | |
| Net Sales | Rupees in million | 1,927.396 | 1,757.969 | 1,444.247 | 1,649.638 | 1,890.012 | 2,218.285 | **1,548.962** |
| Gross Profit / (Loss) | Rupees in million | 233.713 | (6.285) | 31.481 | 55.098 | (33.522) | 121.480 | **(118.061)** |
| | % | 12.13 | (0.36) | 2.18 | 3.34 | (1.77) | 5.48 | **(7.62)** |
| Operating Profit / (Loss) | Rupees in million | 142.465 | (76.329) | (23.351) | (22.863) | (112.759) | 19.901 | **(226.820)** |
| | % | 7.39 | (4.34) | (1.62) | (1.39) | (5.97) | 0.90 | **(14.64)** |
| Profit / (Loss) before taxation | Rupees in million | 113.915 | (123.803) | (49.850) | (48.121) | (84.477) | (95.379) | **(374.550)** |
| | % | 5.91 | (7.04) | (3.45) | (2.92) | (4.47) | (4.30) | **(24.18)** |
| Profit / (Loss) after taxation | Rupees in million | 82.020 | (84.199) | (12.472) | (29.296) | (84.439) | (39.018) | **(387.598)** |
| | % | 4.26 | (4.79) | (0.86) | (1.78) | (4.47) | (1.76) | **(25.02)** |
| Earming/ (loss) per share-restated | Rupees | 22.46 | (23.05) | (3.41) | (8.02) | (23.12) | (10.68) | **(106.13)** |
| BALANCE SHEET | | | | | | | | |
| Shareholders' equity (excluding surplus on revaluation of fixed assets) | Rupees in million | 673.113 | 607.039 | 587.400 | 520.041 | 444.799 | 422.643 | **77.182** |
| Term finance certificates | - do- | 16.474 | - | - | - | - | - | - |
| Demand finances/bills payable/Long term finances | - do- | 23.323 | - | - | - | 73.344 | 238.521 | **201.187** |
| Liabilties against assets subject to finance lease | - do- | - | 50.386 | 33.052 | 13.824 | - | - | - |
| Operating fixed assets | - do- | 1,374.837 | 1,350.262 | 1,557.748 | 1,522.610 | 1,584.212 | 1,714.667 | **1,681.485** |
| Additions in fixed assets | - do- | 120.706 | 107.328 | 49.039 | 24.319 | 89.842 | 215.022 | **49.607** |
| Current assets | - do- | 698.576 | 407.179 | 457.202 | 723.756 | 815.533 | 1,063.252 | **532.353** |
| Current liabilties | - do- | 571.684 | 346.710 | 467.423 | 771.525 | 1,037.531 | 1,407.826 | **1,203.320** |
| Break up value per share | Rupees | 184.31 | 166.21 | 166.31 | 164.71 | 372.52 | 361.86 | **270.74** |
| Employees at year end | Nos. | 1,285 | 1,195 | 1,190 | 1,201 | 1,091 | 1,072 | **984** |

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# Pattern of Shareholding As At June 30, 2020

| Number of Shareholders | Shareholding From | To | Shares Held | Percentage |
|---|---|---|---|---|
| 1,036 | 1 | 100 | 25,684 | 0.70 |
| 365 | 101 | 500 | 84,606 | 2.32 |
| 82 | 501 | 1,000 | 57,849 | 1.58 |
| 80 | 1,001 | 5,000 | 159,337 | 4.36 |
| 16 | 5,001 | 10,000 | 100,093 | 2.74 |
| 4 | 10,001 | 15,000 | 54,810 | 1.50 |
| 2 | 15,001 | 20,000 | 36,213 | 0.99 |
| 2 | 20,001 | 25,000 | 44,281 | 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 | 587,193 | 16.08 |
| 1 | 870,001 | 875,000 | 872,600 | 23.89 |
| 1 | 1,275,001 | 1,280,000 | 1,277,247 | 34.97 |
| **1,595** | | | **3,652,178** | **100.00** |

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

| Categories of Shareholders | No. of Shares Held | Percentage |
|---|---|---|
| Director's, CEO, Their Spouse and Minor Children | 24,862 | 0.68 |
| Associated Companies, Undertakings and Related Parties | 2,066,499 | 56.58 |
| 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) | 1,450,139 | 39.71 |
| Other Companies | 22,592 | 0.62 |
| Administrator Abandoned Properties | 1,728 | 0.05 |
| | **3,652,178** | **100.00** |

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# Categories of Shareholder's As At June 30, 2020

| SR # | CATEGORIES OF SHAREHOLDERS | | SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 1 | **Director's, CEO, Their Spouse and Minor Children** | | | |
| | Mr. Raza Kuli Khan Khattak | (Chief Executive Officer) | 13,982 | 0.383 |
| | Mr. Gohar Ayub Khan | (Director) | 2,960 | 0.081 |
| | Dr. Hamid Zeb Khan | (Director) | 918 | 0.025 |
| | Mr. Sikandar Kuli Khan Khattak | (Director) | 2 | 0.000 |
| | Dr. Shaheen Kuli Khan Khattak | (Director) | 6,992 | 0.191 |
| | Mr. Muhammad Omer Khan Afridi | (Director) | 2 | 0.000 |
| | Mr. Zahid Said | (Director) | 2 | 0.000 |
| | Mr. Amin Ullah Khan | (Director) | 2 | 0.000 |
| | Mr. Ahad Khattak | (Director) | 2 | 0.000 |
| 2 | **Associated Companies, Undertaking and Related Parties** | | | |
| | Bannu Woollen Mills Limited | | 144,421 | 3.954 |
| | Bibojee Services (Pvt) Limited | | 1,277,247 | 34.972 |
| | Janana De Malucho Textile Mills Limited | | 587,193 | 16.078 |
| | Waqf-e-Kuli Khan | | 57,638 | 1.578 |
| 3 | **NIT & ICP** | | | |
| | Investment Corporation of Pakistan | | 1,291 | 0.035 |
| | CDC- Trustee National Investment (Unit) Trust | | 80,578 | 2.206 |
| | IDBP (ICP UNIT) | | 193 | 0.005 |
| 4 | **Banks, Development Financial Institutions, Non Banking Finance Institutions** | | 3,089 | 0.085 |
| 5 | **Insurance Companies** | | | |
| | The New Jubilee Insurance Co Ltd | | 57 | 0.002 |
| 6 | **Modarabas & Mutual Funds** | | | |
| | First UDL Modaraba | | 1,150 | 0.031 |
| 7 | **General Public (Local)** | | 1,450,139 | 39.706 |
| 8 | **Others Companies** | | 22,592 | 0.619 |
| 9 | **Administrator Abandoned Properties** | | 1,728 | 0.047 |
| | | | **3,652,178** | **100.00** |
| 10 | **SHAREHOLDERS HOLDING 05% OR MORE** | | | |
| | Bibojee Services (Pvt) Limited | | 1,277,247 | 34.972 |
| | Janana De Malucho Textile Mills Limited | | 587,193 | 16.078 |
| | Mr. Sameer Randhawa | | 872,600 | 23.893 |

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## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
## For the year ended June 30, 2020

Babri Cotton Mills Limited (the Company) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:
   a) Male 8
   b) Female 1
2. The composition of the Board is as follows:

| | | Appointed on | Retired on |
|---|---|---|---|
| Independent Directors | Mr. Zahid Said | | July 17, 2020 |
| | Mr. Omar Khan Afridi | | July 17, 2020 |
| | Mr. Ahad Khattak | Oct. 17, 2019 | July 17, 2020 |
| | Mr. Amin Ullah Khan | Oct. 17, 2019 | July 17, 2020 |
| Other Non-executive Directors | Dr. Hamid Zeb Khan | Oct. 17, 2019 | July 17, 2020 |
| | Mr. Gohar Ayub Khan | | |
| | Dr. Shaheen Kuli Khan Khattak | | July 17, 2020 |
| Executive Directors | Mr. Raza Kuli Khan Khattak | | July 17, 2020 |
| | Mr. Sikandar Kuli Khan Khattak | | July 17, 2020 |
| Female Director | Dr. Shaheen Kuli Khan Khattak | | July 17, 2020 |

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
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. The Board has ensured that complete record of particulars of the significant policies along with their dates of approval or updating is maintained by the Company.
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 Chairman and, in his 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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

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9. Three of our directors have already completed the Directors' Training Program (the Program) and three directors have obtained exemption from it. Remaining three directors will undertake the program within the stipulated time.
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. Mr. Naeem ullah Malik was appointed as Company Secretary with effect from January 27, 2020 and Chief Financial Officer of the Company with effect from April 30, 2020 after resignation of Mr. Muhammad Ali Waqar and Mr. Noor-un-Nabi with effect from January 06, 2020 and April 30, 2020, respectively.
11. Chief Financial Officer 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 — Chairman
    b) Mr. Amin Ullah Khan — Member
    c) Dr. Shaheen Kuli Khan Khattak — Member

    Human Resource and Remuneration Committee

    a) Mr. Omar Khan Afridi — Chairman
    b) Mr. Raza Kuli Khan Khattak — Member
    c) Mr. Zahid Said — Member

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 the following:
    a) Audit Committee — 4 quarterly meetings
    b) Human Resource and Remuneration Committee — 1 annual meeting
15. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and is 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 registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.

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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 requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**Shoaib Ahmad Khan**
**Director**



**Muhammad Iftikhar Ali**
**Chief Executive Officer**

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

### Review Report on the Statement of Compliance contained in Listed Companies ( Code of Corporate Governance ) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **BABRI COTTON MILLS LIMITED** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

We highlight below an instance of non-compliance with the requirements of the Regulations:

The Chief Financial Officer of the Company also holds the office of the Company Secretary.

Shinewing Hameed Chaudhri & Co.

**SHINEWING HAMEED CHAUDHRI & CO.,**
**CHARTERED ACCOUNTANTS**

**LAHORE; September 24, 2020**

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

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

**Qualified 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, 2020, 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, 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, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

Fresh revaluation of buildings and plant & machinery as at June 30, 2020 has revealed that fair market values of these fixed assets on the aforementioned date were lower by Rs.132.607 million as compared to their carrying values.

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.345.261 million demanded by Sui Northern Gas Pipelines Ltd. Our report is not modified in respect of this matter.

**Material Uncertainty relating to Going Concern**

We draw attention to note 1.2 in the financial statements, which indicates that the operations of the Company are closed since March, 2020; accumulated loss aggregated Rs.64.468 million and the Company's current liabilities exceeded its current assets by Rs.670.967 million on the reporting date. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**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. | **Impact of COVID-19**<br><br>As disclosed in note 45 to the financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March, 2020 in line with directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.<br><br>In relation to the accounting and reporting obligations, the management has assessed the impact of COVID-19 related events on its financial statements. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:<br><br>- the impairment of tangible assets under IAS 36, 'Impairment of non-financial assets;<br><br>- the net realisable value (NRV) of inventory under IAS 2, 'Inventories';<br><br>- deferred taxation in accordance with IAS 12, 'Income taxes';<br>- provisions and contingent liabilities under IAS 37 ; and<br><br>- going concern assumption used for the preparation of these financial statements.<br>In view of the unique nature of this event and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit .strategy accordingly. | Our audit procedures, amongst others, included the following:<br><br>- obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;<br><br>- assessed the authenticity of the confirmations received;<br><br>- checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts;<br><br>- evaluated whether any impairment indicators exist that could trigger impairment for tangible assets;<br><br>- evaluated management's assessment as to whether any provisions were required to be recorded as result of COVID-19;<br><br>- checked the accuracy of deferred tax computation;<br>- checked the reasonableness of the inputs used for calculation of NRV of inventories held to assess the adequacy of relevant provisions;<br><br>- evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and<br><br>- checked the adequacy of the disclosures made by the Company under the applicable financial reporting framework. |

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| S.N | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 2. | **Valuation of stock-in-trade**<br><br>The value of stock-in-trade at the reporting date aggregated Rs.430.898 million representing 81% of the Company's total current assets. Stock-in-trade at the reporting date mainly included raw materials and finished goods (note 9).<br><br>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads incurred in bringing the inventories to their present location and conditions. Judgment has also been exercised by the management in determining the net realisable value of finished goods.<br><br>We identified this as key audit matter in our audit due to the judgment and assumptions applied by the Company in determining the cost and net realisable value of stock-in-trade at the reporting date. | We assessed the appropriateness of management assumptions applied in calculating the value of stock-in-trade and validated the valuation by taking following steps:<br><br>- assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards;<br><br>- attended inventory count at the year-end and reconciled physical inventory with inventory lists provided to ensure completeness of data;<br><br>- assessed historical cost recorded in inventory valuation by checking purchase invoices on sample basis;<br><br>- tested reasonability of assumptions applied by the management in allocation of labour and other various overhead costs to inventories;<br><br>- assessed the management's determination of net realisable value of inventories by performing tests on sale prices secured by the Company for similar items; and<br>- performed net realisable value test to assess whether cost of inventories exceeded its net realisable value by detailed review of subsequent sale invoices. |
| 3. | **Contingencies**<br>The Company is subject to material litigations involving different Courts pertaining to taxation and other matters, which require management to make assessments and judgments with respect to likelihood and impact of such litigations on the financial statements of the Company.<br>The management has engaged independent legal counsels on these matters.<br>The assessment of provisioning against such litigations is a complex exercise and requires significant judgments to determine the level of certainty on these matters.<br><br>The details of contingencies along with management's assessments are disclosed in note 27 to the financial statements. | In response to this matter, we performed following audit procedures:<br><br>- 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;<br><br>- obtained opinions from legal counsels dealing with such cases in the form of confirmations;<br><br>- evaluated the possible outcome of these legal cases in line with the requirements of IAS 37 (Provisions, contingent liabilities and contingent assets); and<br><br>- disclosures of legal exposures and provisions were assessed for completeness and accuracy. |

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**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.

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- 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 (XIXof 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.

Shinewing Hameed Chaudhri & Co.

**SHINEWING HAMEED CHAUDHRI & CO.,**
**CHARTERED ACCOUNTANTS**

**LAHORE; September 24, 2020**

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## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

| ASSETS | Note | 2020 Rupees in thousand | 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,681,485 | 1,714,667 |
| Investments in an Associated Company | 6 | 234,288 | 228,654 |
| Long term loans | 7 | 200 | 41 |
| Security deposits | | 1,033 | 1,033 |
| | | 1,917,006 | 1,944,395 |
| **Current assets** | | | |
| Stores, spares and loose tools | 8 | 23,951 | 31,466 |
| Stock-in-trade | 9 | 430,898 | 885,385 |
| Trade debts | 10 | 6,406 | 308 |
| Loans and advances | 11 | 12,849 | 11,515 |
| Prepayments | | 2,751 | 1,577 |
| Other receivables | 12 | 5,887 | 2,895 |
| Sales tax refundable | 13 | 0 | 79,971 |
| Income tax refundable, advance tax and tax deducted at source | | 45,222 | 47,183 |
| Cash and bank balances | 14 | 4,389 | 2,952 |
| | | 532,353 | 1,063,252 |
| **TOTAL ASSETS** | | 2,449,359 | 3,007,647 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Authorised capital | 15 | 250,000 | 250,000 |
| Issued, subscribed and paid-up capital | 16 | 36,522 | 36,522 |
| Capital reserves | | | |
| - share premium | 17 | 15,096 | 15,096 |
| - revaluation surplus on property, plant and equipment | 18 | 911,638 | 898,868 |
| Revenue reserves | | | |
| - general reserve | 17 | 88,000 | 88,000 |
| - gain on remeasurement of forward foreign exchange contracts | 17 | 2,032 | 2,139 |
| - (Accumulated loss) / unappropriated profit | | (64,468) | 280,886 |
| **Shareholders' equity** | | 988,820 | 1,321,511 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long term finances | 19 | 174,580 | 186,718 |
| Staff retirement benefits - gratuity | 20 | 73,431 | 81,520 |
| Long term deposit | 21 | 0 | 868 |
| Deferred taxation | 22 | 9,208 | 9,208 |
| | | 257,219 | 278,314 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 434,527 | 373,283 |
| Unclaimed dividends | | 2,431 | 2,431 |
| Accrued interest / mark-up | 24 | 46,848 | 33,407 |
| Short term finances | 25 | 669,673 | 929,483 |
| Current portion of long term finances | 19 | 26,607 | 51,803 |
| Taxation | 26 | 23,234 | 17,415 |
| | | 1,203,320 | 1,407,822 |
| **Total liabilities** | | 1,460,539 | 1,686,136 |
| **Contingencies and commitments** | 27 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 2,449,359 | 3,007,647 |

The annexed notes 1 to 48 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Muhammad Iftikhar Ali** | **Shoaib Ahmad Khan** | **Naeem Ullah Malik** |
| Chief Executive Officer | Director | Chief Financial Officer |

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Sales** | 28 | 1,548,962 | 2,218,285 |
| **Cost of sales** | 29 | 1,667,023 | 2,096,805 |
| **Gross (loss) / profit** | | (118,061) | 121,480 |
| **Distribution cost** | 30 | 11,851 | 16,539 |
| **Administrative expenses** | 31 | 92,441 | 88,363 |
| **Other expenses** | 32 | 7,788 | 340 |
| **Other income** | 33 | (3,321) | (3,663) |
| | | 108,759 | 101,579 |
| **(Loss) / profit from operations** | | (226,820) | 19,901 |
| **Finance cost** | 34 | 147,730 | 115,890 |
| | | (374,550) | (95,989) |
| **Share of (loss) / profit of an Associated Company** | 6 | (7,235) | 610 |
| **Loss before taxation** | | (381,785) | (95,379) |
| **Taxation** | 35 | (5,813) | (56,361) |
| **Loss after taxation** | | (387,598) | (39,018) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| **- gain on remeasurement of staff retirement benefit obligation** | 20 | 7,600 | 233 |
| **- impact of tax** | | (2,204) | (68) |
| | | 5,396 | 165 |
| **- surplus arisen upon revaluation of property, plant and equipment** | 5.4 | 40,877 | 0 |
| **- deferred taxation** | 18.3 | (4,128) | 0 |
| | | 36,749 | 0 |
| **- share of other comprehensive income of an Associated Company** | | 14,284 | 54 |
| **- impact of tax** | | (4,142) | (16) |
| | 6 | 10,142 | 38 |
| | | 52,287 | 203 |
| **Total comprehensive loss** | | (335,311) | (38,815) |
| | | --------- Rupees --------- | |
| **Loss per share** | 36 | (106.13) | (10.68) |

The annexed notes 1 to 48 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Muhammad Iftikhar Ali** | **Shoaib Ahmad Khan** | **Naeem Ullah Malik** |
| Chief Executive Officer | Director | Chief Financial Officer |

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## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 | 2019 |
|---|---|---|
| | (Rupees in thousand) | |
| **Cash flows from operating activities** | | |
| Loss for the year - before taxation and share of (loss) / profit of an Associated Company | **(374,550)** | (95,989) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | **70,995** | 66,906 |
| Loss on disposal of fixed assets | **7,369** | 0 |
| Amortisation of gain on forward foreign exchange contracts | **(107)** | (106) |
| Staff retirement benefits - gratuity (net) | **(489)** | 3,359 |
| Finance cost | **147,177** | 113,994 |
| **(Loss) / profit before working capital changes** | **(149,605)** | 88,164 |
| **Effect on cash flows due to working capital changes** | | |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | **7,515** | 8,100 |
| Stock-in-trade | **454,487** | (212,991) |
| Trade debts | **(6,098)** | 61 |
| Loans and advances | **(1,334)** | (2,844) |
| Prepayments | **(1,174)** | 260 |
| Other receivables | **(2,992)** | 1,815 |
| Sales tax refundable | **79,971** | (45,426) |
| Increase in trade and other payables | **61,244** | 100,735 |
| | **591,619** | (150,290) |
| **Cash generated from / (used in) operations** | **442,014** | (62,126) |
| Taxes paid | **(4,365)** | (19,365) |
| Long term loans - net | **(159)** | 494 |
| **Net cash generated from / (used in) operating activities** | **437,490** | (80,997) |
| **Cash flows from investing activities** | | |
| Fixed capital expenditure - net | **(18,981)** | (197,361) |
| Sale proceeds of operating fixed assets | **14,676** | 0 |
| Security deposits | **0** | 76 |
| Long term deposit | **(868)** | 868 |
| **Net cash used in investing activities** | **(5,173)** | (196,417) |
| **Cash flows from financing activities** | | |
| Long term finances - net | **(37,334)** | 164,781 |
| Short term finances - net | **(259,810)** | 203,355 |
| Finance cost paid | **(133,736)** | (95,913) |
| **Net cash (used in) / generated from financing activities** | **(430,880)** | 272,223 |
| **Net increase / (decrease) in cash and cash equivalents** | **1,437** | (5,191) |
| **Cash and cash equivalents** - at beginning of the year | **2,952** | 8,143 |
| **Cash and cash equivalents** - at end of the year | **4,389** | 2,952 |

The annexed notes 1 to 48 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Muhammad Iftikhar Ali** | **Shoaib Ahmad Khan** | **Naeem Ullah Malik** |
| Chief Executive Officer | Director | Chief Financial Officer |

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## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2020

| | Capital Reserves | | | Revenue Reserves | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Revaluation surplus on property, plant and equipment | General reserve | Gain on hedging instruments | Unappropriated profit / (accumulated loss) | Total |
| | ---------- Rupees in thousand ---------- | | | | | | |
| Balance as at June 30, 2018 | 36,522 | 15,096 | 915,635 | 88,000 | 2,245 | 302,936 | 1,360,434 |
| Total comprehensive loss for the year ended June 30, 2019: | | | | | | | |
| - 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 |
| Total comprehensive loss for the year ended June 30, 2020: | | | | | | | |
| - loss for the year | 0 | 0 | 0 | 0 | 0 | (387,598) | (387,598) |
| - other comprehensive income | 0 | 0 | 36,749 | 0 | 0 | 15,538 | 52,287 |
| | 0 | 0 | 36,749 | 0 | 0 | (372,060) | (335,311) |
| Amortisation of gain on forward foreign exchange contracts | 0 | 0 | 0 | 0 | (107) | 0 | (107) |
| Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation) | | | | | | | |
| - on account of incremental depreciation for the year | 0 | 0 | (14,711) | 0 | 0 | 14,711 | 0 |
| - upon sale of revalued assets | 0 | 0 | (7,335) | 0 | 0 | 7,335 | 0 |
| Share of revaluation surplus on property, plant and equipment of an Associated Company | 0 | 0 | (1,933) | 0 | 0 | 0 | (1,933) |
| Effect of items directly credited in equity by an Associated Company | 0 | 0 | 0 | 0 | 0 | 4,660 | 4,660 |
| Balance as at June 30, 2020 | 36,522 | 15,096 | 911,638 | 88,000 | 2,032 | (64,468) | 988,820 |

The annexed notes 1 to 48 form an integral part of these financial statements.

| | | |
|---|---|---|
| Muhammad Iftikhar Ali | Shoaib Ahmad Khan | Naeem Ullah Malik |
| Chief Executive Officer | Director | Chief Financial Officer |

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# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2020

**1. LEGAL STATUS AND OPERATIONS**

**1.1** 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.

**1.2** These financial statements have been prepared on going concern basis despite the uncertainties detailed below that may cast doubt about the Company's ability to continue as a going concern:

**(a)** the Company's production facilities are closed since March, 2020;

**(b)** the Company has accumulated losses aggregating Rs.64.468 million and current liabilities exceeded its current assets by Rs.670.967 million; and

**(c)** the Company's financial ratios are adverse.

These financial statements have been prepared on going concern basis by the management for the reasons as detailed below:

**(a)** the management intends to resume partial production activities by the end of October, 2020;

**(b)** the management has contacted different yarn consumers and agents for sale of finished goods inventory of the Company and it is expected that complete finished goods inventory will be sold by December, 2020;

**(c)** the management is negotiatingwith Company's banks to arrange additionalfinance facilities based on corporate guarantees of the Board members;

**(d)** the sponsor Directors are considering to provide sub-ordinated loans to the Company to ease its liquidity problems; and

**(e)** the management is negotiating with the Company's trade debtors and they have agreed to settle their balances by the end of October, 2020.

**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;
- 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 Accounting convention**

These financial statements have been prepared under the historical cost convention, except where otherwise specifically stated.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information has been rounded off to the nearest thousand of Rupees unless otherwise stated.

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**2.4 Critical accounting estimates, assumptions and judgments**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Useful lives, residual values and depreciation method of property, plant and equipment. - notes 4.1 & 5.1.
- Provision for impairment of inventories - notes 4.3, 4.4, 8 & 9.
- Allowance for expected credit loss - note 4.5.
- Impairment loss of non-financial assets other than inventories - note 4.7.
- Staff retirement benefits (gratuity) - notes 4.9 & 20.
- Estimation of provisions - note 4.11.
- Estimation of contingent liabilities - notes 4.12 & 27
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.13, 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 and interpretations to accounting and reporting standards that became effective during the year**

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2019 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)** Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', are 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 amendments do not have any material impact on the Company's financial statements.

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**(b)** 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 do not have any material impact on the Company's financial statements.

**(c)** Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2019. The amendments clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments do not have any significant 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 amendments do not have any material impact on the Company's financial statements.

**3.2 Standards and amendments to approved accounting standards that are not yet effective**

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for Companies having accounting periods beginning on or after July 01, 2020, 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)** The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018, which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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## 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, 2019.

### 4.1 Property, plant and equipment and depreciation

**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 earning.

**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 5.1 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.

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**4.2 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.

**4.3 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.

**4.4 Stock-in-trade**

Basis of valuation are as follows:

| Particulars | Mode of valuation |
|---|---|
| Raw materials | |
| - at mills | - At lower of annual average cost and net 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.

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**4.5 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.

**4.6 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.

**4.7 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.

**4.8 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.

**4.9 Staff retirement benefits** (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2020 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.

**4.10 Trade and other payables**

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

**4.11 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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**4.12 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.

**4.13 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.

**4.14 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.

**4.15 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.

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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.

**4.16 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 looses 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**

The Company classifies its financial assets in the following measurement categories:

i) amortised cost where the effective interest rate method is applied;

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 are either 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).

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**Impairment of financial assets**

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 recognises 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 unavailabilityof 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.

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**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.

**4.17 Foreign currency transactions**

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

**4.18 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.

**4.19 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. PROPERTY, PLANT AND EQUIPMENT | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Operating fixed assets | 5.1 | **1,681,485** | 1,684,041 |
| Capital work-in-progress | 5.9 | **0** | 30,626 |
| | | **1,681,485** | 1,714,667 |

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## 5.1 Operating fixed assets

| | 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 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Factory | Non-factory | Residential officers | Residential workers | | | | | | | | | | |
| | Rupees in thousand | | | | | | | | | | | | | | | |
| 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 | 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 | 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 | 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 | 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 | 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 | 1,684,041 |
| Year ended June 30, 2020: | | | | | | | | | | | | | | | | |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 40,625 | 8,569 | 308 | 77 | 28 | 0 | 0 | 0 | 0 | 49,607 |
| Revaluation adjustments | | | | | | | | | | | | | | | | |
| Cost / revaluation | 26,640 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,640 |
| Depreciation | 0 | 0 | 1,215 | 2,981 | 0 | 1,469 | (22,495) | 31,067 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,237 |
| Disposals: | | | | | | | | | | | | | | | | |
| Cost / revaluation | 0 | 0 | 0 | 0 | 0 | 0 | (29,267) | 0 | 0 | 0 | 0 | (87) | 0 | 0 | (6,684) | (36,038) |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 11,722 | 0 | 0 | 0 | 0 | 56 | 0 | 0 | 2,215 | 13,993 |
| Depreciation for the year | 0 | 1 | 8,252 | 1,087 | 38 | 719 | 45,015 | 13,471 | 58 | 110 | 35 | 371 | 272 | 4 | 1,562 | 70,995 |
| Book value | 487,240 | 12 | 158,638 | 21,582 | 724 | 14,145 | 862,590 | 127,668 | 1,286 | 2,157 | 696 | 876 | 691 | 87 | 3,093 | 1,681,485 |
| 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 | 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 | 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 | 1,684,041 |
| As at June 30, 2020 | | | | | | | | | | | | | | | | |
| Cost / revaluation | 487,240 | 120 | 193,236 | 22,963 | 1,011 | 19,896 | 1,132,063 | 189,415 | 2,800 | 4,391 | 1,092 | 2,799 | 1,367 | 144 | 16,205 | 2,074,742 |
| Accumulated depreciation | 0 | 108 | 34,598 | 1,381 | 287 | 5,751 | 269,473 | 61,747 | 1,514 | 2,234 | 396 | 1,923 | 676 | 57 | 13,112 | 393,257 |
| Book value | 487,240 | 12 | 158,638 | 21,582 | 724 | 14,145 | 862,590 | 127,668 | 1,286 | 2,157 | 696 | 876 | 691 | 87 | 3,093 | 1,681,485 |
| Depreciation rate (%) | | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 5 | 5 | 5 | 30 | 30 | 5 | 20 | |

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5.2 Freehold land represents 715,904 square feet of land situated at Habibabad Kohat out of which approximately 339,141 square feet represent covered area.

5.3 The depreciation rates of computers & accessories and security & surveillance equipment were increased in previous year to 30% from 5% per annum with effect from February 28, 2019. The effect of this change in depreciation rates had increased loss for the preceding year and lowered carrying values of property, plant and equipment by Rs. 126 thousand.

5.4 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 18.3, has been determined as follows:

| Particulars | Freehold land | Buildings on freehold land | | | Plant & machinery | Gener-ators | Total |
|---|---|---|---|---|---|---|---|
| | | Factory | Non-factory | Resid-ential | | | |
| | Rupees in thousand | | | | | | |
| Cost / revaluation as at September 30, 2019 | 460,600 | 193,236 | 22,963 | 19,895 | 1,121,806 | 187,578 | 2,006,078 |
| Accumulated depreciation to September 30, 2019 | 0 | 29,632 | 3,521 | 6,668 | 225,034 | 81,993 | 346,848 |
| Book value before revaluation adjustments as at September 30, 2019 | 460,600 | 163,604 | 19,442 | 13,227 | 896,772 | 105,585 | 1,659,230 |
| Revalued amounts | 487,240 | 164,819 | 22,423 | 14,696 | 874,277 | 136,652 | 1,700,107 |
| Revaluation surplus / (deficit) | 26,640 | 1,215 | 2,981 | 1,469 | (22,495) | 31,067 | 40,877 |

5.5 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:

| Owned | 2020 | 2019 |
|---|---|---|
| | (Rupees in thousand) | |
| - freehold land | **3,642** | 3,642 |
| - buildings on freehold land | **54,953** | 57,817 |
| - plant & machinery | **657,543** | 659,293 |
| - generators | **97,426** | 99,834 |
| | **813,564** | 820,586 |

5.6 Based on the revaluation report dated November 25, 2019, the forced sale values of the revalued items of property, plant and equipment have been assessed as follows:

| | Rupees in thousand |
|---|---|
| Freehold land | **389,792** |
| Buildings on freehold land | **161,550** |
| Plant & machinery and generators | **758,197** |
| | **1,309,539** |

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| 5.7 Depreciation for the year has been apportioned as under: | 2020 | 2019 |
|---|---|---|
| | (Rupees in thousand) | |
| - cost of sales | 67,682 | 63,887 |
| - administrative expenses | 3,313 | 3,019 |
| | 70,995 | 66,906 |

**5.8 Disposal of operating fixed assets:**

| Particulars | Cost | Accum-ulated depre-ciation | Book value | Sale pro-ceeds | Gain / (loss) | Sold through negotiation to |
|---|---|---|---|---|---|---|
| **Plant & machinery** | ----- Rupees in thousand ----- | | | | | |
| 4 Howa Cards | 1,382 | 399 | 983 | 1,394 | 411 | Hameed & Sons, Faisalabad. |
| 7 SACM Cards | 1,261 | 688 | 573 | 1,669 | 1,096 | ---- do ---- |
| 1 Chinese Comber | 4,289 | 2,100 | 2,189 | 280 | (1,909) | Noshad Textile Machinery Traders, Faisalabad. |
| 5 Ring Frames Toyoda | 5,671 | 3,309 | 2,362 | 2,525 | 163 | ---- do ---- |
| Savio Orion Cone Winder | 11,416 | 3,486 | 7,930 | 1,250 | (6,680) | Sultan Associates, Faisalabad. |
| 4 Ring Frames | 5,248 | 1,740 | 3,508 | 1,880 | (1,628) | Shangai Traders, Faisalabad. |
| | 29,267 | 11,722 | 17,545 | 8,998 | (8,547) | |
| **Computers and accessories** | | | | | | |
| Laptop HP | 87 | 56 | 31 | 45 | 14 | Mr. Noor un Nabi, (Ex Chief Operating Officer). |
| **Vehicle** | | | | | | |
| Toyota Fortuner | 6,684 | 2,215 | 4,469 | 5,633 | 1,164 | ---- do ---- |
| **2020** | 36,038 | 13,993 | 22,045 | 14,676 | (7,369) | |
| 2019 | 0 | 0 | 0 | 0 | 0 | |

| 5.9 Capital work-in-progress | 2020 | 2019 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening balance | 30,626 | 48,287 |
| Additions during the year: | | |
| - plant and machinery | 4,381 | 167,988 |
| - computer software | 0 | 800 |
| | 4,381 | 168,788 |
| | 35,007 | 217,075 |
| Less: | | |
| - transferred during the year to plant and machinery | (34,207) | (186,449) |
| - computer software cost expensed | (800) | 0 |
| | (35,007) | (186,449) |
| Balance as at June 30, | 0 | 30,626 |

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| 6. | **INVESTMENTS IN AN ASSOCIATED COMPANY** - Quoted | **2020** | 2019 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| | **Janana De Malucho Textile Mills Ltd. (JDM)** | | |
| | 341,000 (2019: 341,000) ordinary shares of Rs.10 each - cost | **4,030** | 4,030 |
| | Equity held: 7.13% (2019: 7.13%) | | |
| | Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by JDM | **65,769** | 60,461 |
| | Share of revaluation surplus on property, plant and equipment | **161,582** | 163,515 |
| | (Loss) / profit for the year - net of taxation | **(7,235)** | 610 |
| | Share of other comprehensive income - net of taxation | **10,142** | 38 |
| | | **234,288** | 228,654 |

**6.1** Although the Company has less than 20% voting rights in JDM as at June 30, 2020 and 2019, JDM has been treated an Associated Company by virtue of common directorships.

**6.2** Market value of the Company's investment in JDM as at June 30, 2020 was Rs.26.813 million (2019: Rs.21.142 million).

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

The summary of financial information of JDM based on its audited financial statements for the year ended June 30, 2020 is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **Summarised statement of financial position** | | |
| Non-current assets | **3,418,922** | 3,437,965 |
| Current assets | **1,633,393** | 1,244,097 |
| | **5,052,315** | 4,682,062 |
| Non-current liabilities | **259,751** | 231,065 |
| Current liabilities | **1,497,225** | 1,204,244 |
| | **1,756,976** | 1,435,309 |
| **Net assets** | **3,295,339** | 3,246,753 |

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| Reconciliation to carrying amount | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Opening net assets | | **3,246,753** | 3,238,110 |
| (Loss) / profit for the year | | **(93,647)** | 6,296 |
| Other comprehensive income for the year | | **142,310** | 537 |
| Other adjustments | | **(77)** | 1,810 |
| Closing net assets | | **3,295,339** | 3,246,753 |
| Company's share percentage 7.13% (2019: 7.13%) | | | |
| Company's share | | **234,958** | 231,493 |
| Miscellaneous adjustments | | **(670)** | (2,839) |
| Carrying amount of investment | | **234,288** | 228,654 |
| **Summarised statement of profit or loss** | | | |
| Sales | | **2,754,564** | 3,379,664 |
| (Loss) / profit before taxation | | **(60,203)** | 41,272 |
| (Loss) / profit after taxation | | **(93,647)** | 6,296 |

**6.4** The value of investments in JDM as at June 30, 2020 and June 30, 2019 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 10.55% (2019: 10.90%), terminal growth rate of 3.25% (2019: 5%) and capital asset pricing model based discount rate of 9.30% (2019: 12.38%).

**7. LONG TERM LOANS** - Secured

| | Note | | |
|---|---|---|---|
| Interest free loans to: | | | |
| - related parties - key management persons | **7.1** | **305** | 260 |
| - other employees | **7.2** | **956** | 1,228 |
| | | **1,261** | 1,488 |
| Less: current portion grouped under current assets | | **1,061** | 1,447 |
| | | **200** | 41 |

**7.1** The year-end balance is recoverable in monthly instalments ending March, 2020. Maximum aggregate amount of loans at any month-end during the year was Rs.472 thousand (2019: Rs.480 thousand).

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

**8. STORES, SPARES AND LOOSE TOOLS**

| | | |
|---|---|---|
| Stores | **12,777** | 11,133 |
| Spares | **11,135** | 20,290 |
| Loose tools | **39** | 43 |
| | **23,951** | 31,466 |

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| | | Note | 2020 | 2019 |
|---|---|---|---|---|
| **9.** | **STOCK-IN-TRADE** | | (Rupees in thousand) | |
| | Raw materials: | | | |
| | - at mills | **9.1** | **359,803** | 708,747 |
| | - in transit | | **0** | 68,431 |
| | | | **359,803** | 777,178 |
| | Work-in-process | | **21,000** | 51,436 |
| | Finished goods | **9.2** | **50,095** | 56,771 |
| | | | **430,898** | 885,385 |

**9.1** Raw material inventories as at June 30, 2020 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.24.815 million approximately.

**9.2** Finished good inventories as at June 30, 2020 include inventories costing Rs.45.376 million (2019: Rs.4.399 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.6.108 million (2019: Rs.0.290 million) approximately

**9.3** 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.** | **TRADE DEBTS** - Unsecured | | | |
| | Balance at the year-end | | **6,825** | 2,598 |
| | Less: provision for impairment | **10.1** | **419** | 2,290 |
| | | | **6,406** | 308 |
| **10.1** | **Provision for impairment** | | | |
| | Balance at beginning of the year | | **2,290** | 2,290 |
| | Allowance for the year | | **419** | 0 |
| | Reversal during the year | | **(2,290)** | 0 |
| | Balance at end of the year | | **419** | 2,290 |
| **11.** | **LOANS AND ADVANCES** | | | |
| | Current portion of long term loans | **7** | **1,061** | 1,447 |
| | Due from an Associated Company (Rahman Cotton Mills Ltd.) | | **4,047** | 0 |
| | Advances (unsecured - considered good): | | | |
| | - employees | | **708** | 6,089 |
| | - contractors and suppliers | | **7,033** | 3,952 |
| | - against letters of credit | | **0** | 27 |
| | | | **12,849** | 11,515 |
| **12.** | **OTHER RECEIVABLES** | | | |
| | Import letters of credit weight shortage claims | | **2,895** | 2,895 |
| | Balance of insurance claim receivable against loss of stocks due to fire | | **2,992** | 0 |
| | | | **5,887** | 2,895 |

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## 13. SALES TAX REFUNDABLE

The Company, during the year, has received sales tax refunds aggregating Rs.48.686 million pertaining to the period from January, 2018 to April, 2020. The aforesaid amounts have been credited in the Company's bank account during September, 2019 and April, 2020. The remaining refundable balance of sales tax has been adjusted against sales tax payable for the current year.

## 14. CASH AND BANK BALANCES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Cash at banks on: | | | |
| - current accounts | | **3,374** | 228 |
| - dividend accounts | | **850** | 23 |
| - PLS account | **14.1** | **142** | 2,570 |
| - PLS security deposit account | **14.1** | **23** | 131 |
| | | **4,389** | 2,952 |

**14.1** These carry profit at the rates ranging from 3.25% to 10.25% (2019: 4.50% to 10.25%) per annum.

## 15. AUTHORISED SHARE CAPITAL

| 2020 | 2019 | | 2020 | 2019 |
|---|---|---|---|---|
| ---- Numbers ---- | | | | |
| **17,500,000** | 17,500,000 | Ordinary shares of Rs.10 each | **175,000** | 175,000 |
| **7,500,000** | 7,500,000 | Redeemable cumulative preference shares of Rs.10 each | **75,000** | 75,000 |
| **25,000,000** | 25,000,000 | | **250,000** | 250,000 |

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

| | | | | |
|---|---|---|---|---|
| **2,896,000** | 2,896,000 | Ordinary shares of Rs.10 each fully paid in cash | **28,960** | 28,960 |
| **434,400** | 434,400 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | **4,344** | 4,344 |
| **321,778** | 321,778 | Ordinary shares of Rs.10 each issued to a Bank by conversion of long term liabilities | **3,218** | 3,218 |
| **3,652,178** | 3,652,178 | | **36,522** | 36,522 |

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

| | 2020 | 2019 |
|---|---|---|
| | ---- Numbers---- | |
| Bibojee Services (Pvt.) Ltd. | **1,277,247** | 1,277,247 |
| Bannu Woollen Mills Ltd. | **144,421** | 144,421 |
| Janana De Malucho Textile Mills Ltd. | **587,193** | 587,493 |
| Waqf-e-Kuli Khan | **57,638** | 57,638 |
| | **2,066,499** | 2,066,799 |

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| 17. RESERVES | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| 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 | | **2,032** | 2,139 |
| | | **105,128** | 105,235 |

**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

| | | | |
|---|---|---|---|
| Revaluation surplus on the Company's property, plant and equipment | **18.2** | **750,056** | 735,353 |
| Share of revaluation surplus on property, plant and equipment of an Associated Company | **6** | **161,582** | 163,515 |
| | | **911,638** | 898,868 |

**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, had again revalued its freehold land, buildings on freehold land, owned and leased plant & machinery and generators. This revaluation exercise was 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 was revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators were revalued on the basis of depreciated market values. The net appraisal surplus arisen on this revaluation aggregating Rs.209.017 million was credited to this account.

**18.3** The Company, during the current financial year, has again revalued its freehold land, buildings on freehold land, plant & machinery and generators. The revaluation exercise has been carried-out by independent Valuers - Hamid Mukhtar & Co,(Pvt.) Ltd., 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 appraisal arisen on latest revaluation aggregating Rs. 40.877 million has been credited to this account. The year end balance has been arrived at as follows:

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| | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Opening balance | | **849,068** | 869,803 |
| Add: surplus arisen on revaluation carried-out during the year | **5.4** | **40,877** | 0 |
| Less: transferred to (accumulated loss) / unappropriated profit: | | | |
| - on account of incremental depreciation for the year | | **(20,719)** | (20,735) |
| - upon sale of revalued assets | | **(10,332)** | 0 |
| | | **858,894** | 849,068 |
| Less: deferred tax on: | | | |
| - opening balance of surplus | | **113,715** | 119,728 |
| - surplus arisen on revaluation carried-out during the year | | **4,128** | 0 |
| - incremental depreciation for the year | | **(6,008)** | (6,013) |
| - sale of revalued assets | | **(2,997)** | 0 |
| | | **108,838** | 113,715 |
| Closing balance | | **750,056** | 735,353 |

**19. LONG TERM FINANCES** - Secured

| | | | |
|---|---|---|---|
| The Bank of Khyber (BoK) | | | |
| - demand finance - I | **19.1** | **121,792** | 151,416 |
| - demand finance - II | **19.2** | **30,840** | 38,550 |
| Sindh Modaraba (SM)-diminishing musharaka | **19.5** | **48,555** | 48,555 |
| | | **201,187** | 238,521 |
| Less: current portion grouped under current liabilities | | | |
| - demand finance - I | | **9,875** | 39,500 |
| - demand finance - II | | **2,570** | 10,280 |
| - diminishing musharaka | | | |
| - overdue instalments | | **2,023** | 0 |
| - instalments due within next twelve months | | **12,139** | 2,023 |
| | | **26,607** | 51,803 |
| | | **174,580** | 186,718 |

**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 15.13% to 15.49% (2019: 9.04% to 12.80%) 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 15.13% to 15.49% (2019: 9.04% to 12.80%) 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 and personal guarantees of three sponsoring directors of the Company.

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**19.4** The BoK, vide its letter bearing Ref. # BoK / RABC / 2020 / 3218 dated April 30, 2020, has communicated its acceptance of the following:

- deferral of principal payments of DF-I and DF-II till March 31, 2021 under SBP BPRD Circular No.13 of 2020 dated March 26, 2020;
- temporary extension in expiry of credit limits upto June 30, 2020;
- mark-up due on all short term and long term facilities for the quarter ended March 31, 2020 to be paid by the Company on or before May 31, 2020; and
- wavier of 2% penalty if mark-up on short term and long term facilities is paid on or before May 31, 2020.

The BoK has also communicated the revised applicable repayment schedules.

**19.5** 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 Ex-Chief Executive of the Company. The finance facility carries profit at 3-months KIBOR + 2.90% per annum. The effective profit rates during the year ranged from 11.44% to 16.76% (2019:14.01%) per annum. The finance facility is repayable in 48 equal monthly instalments with effect from May, 2020.

**19.6** The Company, vide its letter bearing Ref. # BCM / (Acctt.) C - 1709 dated March 31, 2020, has requested SM as follows:

- principal instalments of the facility falling due from March, 2020 till next one year to be deferred for a period of one year; and
- payment of mark-up on the facility to be relaxed as per the SBP's BPRD Circular 13 of 2020.

SM response for the above request of the Company is still awaited.

**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:

| **Significant actuarial assumptions** | **2020** | 2019 |
|---|---|---|
| - discount rate | **8.50%** | 14.25% |
| - expected rate of growth per annum in future salaries | **7.50%** | 13.25% |
| - average expected remaining working life time of employees | **5 years** | 7 years |
| - mortality rates | **SLIC 2001-2005** | SLIC 2001-2005 |
| | | Setback 1 year |
| - withdrawal rates | **Age-based** | Age-based |
| - retirement assumption | **Age 60** | Age 60 |
| **The amount recognised in the statement of financial position is as follows:** | **2020** | 2019 |
| | **(Rupees in thousand)** | |
| Net liability at beginning of the year | **81,520** | 78,326 |
| Charge to statement of profit or loss | **26,038** | 21,565 |
| Experience adjustments | **(7,600)** | (233) |
| Payments made during the year | **(26,527)** | (18,138) |
| Net liability at end of the year | **73,431** | 81,520 |

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| The movement in the present value of defined benefit obligation is as follows: | 2020 | 2019 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening balance | **81,520** | 78,326 |
| Current service cost | **16,312** | 15,332 |
| Interest cost | **9,726** | 6,233 |
| Benefits paid | **(26,527)** | (18,138) |
| Experience adjustments | **(7,600)** | (233) |
| Closing balance | **73,431** | 81,520 |
| **Expense recognised in statement of profit or loss** | | |
| Current service cost | **16,312** | 15,332 |
| Interest cost | **9,726** | 6,233 |
| Charge for the year | **26,038** | 21,565 |
| **Charge for the year has been allocated to:** | | |
| - cost of sales | **22,133** | 18,330 |
| - distribution cost | **260** | 216 |
| - administrative expenses | **3,645** | 3,019 |
| | **26,038** | 21,565 |
| **Remeasurement recognised in other comprehensive income** | | |
| Experience adjustments (net of deferred tax) | **5,396** | 165 |

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Present value of defined benefit obligation | **73,431** | 81,520 | 78,326 | 69,140 | 73,104 |
| Experience adjustments on obligation | **(7,600)** | (233) | 14,401 | (10,304) | (533) |

| Year-end sensitivity analysis | | Impact on defined benefit obligation | |
|---|---|---|---|
| | Changes in assumption | Increase | Decrease |
| | | (Rupees in thousand) | |
| Discount rate | 1% | **69,896** | **77,401** |
| Salary growth rate | 1% | **77,603** | **69,644** |

**20.1** The average duration of the benefit obligation as at June 30, 2020 is 5 years.

**20.2** The expected contribution to defined benefit obligation for the year ending June 30, 2021 is Rs.18.715 million.

## 21. LONG TERM DEPOSIT

This interest-free deposit was received in accordance with the Company's Car Incentive Scheme and against this deposit vehicle was provided to the employee. This deposit was adjusted during the year by transfer of title of vehicle to the employee.

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| 22. DEFERRED TAXATION - Net | Note | 2020 | 2019 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| This is composed of the following: | | | |
| Taxable temporary differences arising in respect of: | | | |
| - accelerated tax depreciation allowances | | **140,902** | 148,311 |
| - surplus on revaluation of property, plant & equipment | | **108,838** | 113,715 |
| | | **249,740** | 262,026 |
| Deductible temporary differences arising in respect of: | | | |
| - staff retirement benefits - gratuity | | **(21,295)** | (23,641) |
| - provision for doubtful debts | | **(122)** | (664) |
| - minimum tax recoverable against normal tax charge in future years | | **(71,405)** | (87,417) |
| - unused tax losses | | **(253,440)** | (141,096) |
| | | **(346,262)** | (252,818) |
| | | **(96,522)** | 9,208 |
| Deferred tax asset not recognised | **22.1** | **(105,730)** | 0 |
| | | **9,208** | 9,208 |

**22.1** Deferred tax asset has not been recognised in these financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred taxation as at June 30, 2021.

| 23. TRADE AND OTHER PAYABLES | | | |
|---|---|---|---|
| Creditors | | **253,180** | 198,869 |
| Bills payable | **23.1** | **0** | 71,232 |
| Due to an Associated Company (Janana De Malucho Textile Mills Ltd.) | | **4,851** | 0 |
| Advances from customers - contract liabilities | | **20,001** | 6,867 |
| Accrued expenses | | **83,292** | 62,558 |
| Interest free security deposits - repayable on demand | **23.2** | **170** | 170 |
| Due to Waqf-e-Kuli Khan | | **12,048** | 12,048 |
| Income tax deducted at source | | **12,089** | 5,722 |
| Sales tax payable | **13** | **47,967** | 15,020 |
| Others | | **929** | 797 |
| | | **434,527** | 373,283 |

**23.1** These were 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.

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| 24. ACCRUED INTEREST / MARK-UP | Note | 2020 (Rupees in thousand) | 2019 |
|---|---|---|---|
| Mark-up accrued on: | | | |
| - long term finances | | **13,035** | 6,143 |
| - short term finances | | **33,813** | 27,264 |
| | | **46,848** | 33,407 |

**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.1180 million (2019: Rs.980 million) and are secured against pledge of raw material and finished good stocks, first charge on current and fixed assets of the Company and personal guarantees of three sponsoring directors of the Company. These facilities, during the year, carried mark-up at the rates ranging from 12.49% to 15.35% (2019: 8.23% to 12.49%) per annum. Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.500 million (2019: Rs.475 million) out of which the amount remained unutilised at the year-end was Rs.425 million (2019: Rs.344.778 million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company. Facilities from NBP and BoK are available upto December 31, 2020 and January 31, 2021 respectively.

| 26. TAXATION | | | |
|---|---|---|---|
| Opening balance | | **17,415** | 17,450 |
| Provision / (reversal) made during the year: | | | |
| - current [net of tax credit under section 65B of the Ordinance amounting Rs. Nil (2019: Rs.10.350 million)] | **26.2** | **23,234** | 17,415 |
| - prior years | **26.3** | **(11,089)** | 30 |
| | | **12,145** | 17,445 |
| Less: payments / adjustments made against completed assessments | | **6,326** | 17,480 |
| | | **23,234** | 17,415 |

**26.1** Income tax returns of the Company have been filed upto the tax year 2019 i.e. accounting year ended June 30, 2019.

**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 has filed a writ petition before the Peshawar High Court (PHC) under article 199 of the constitution of Pakistan praying that amendments introduced in section 65B of the Ordinance, by inserting a proviso through Finance Act, 2019 whereby tax credit of 10% has been reduced to 5% for the tax year 2019, be declared illegal, unlawful and void ab initio; further the said amendments cannot be applied retrospectively. The PHC vide its order dated December 31, 2019 has ordered that the Company be allowed to submit its return manually or by making adjustment in e-portal / computer system as provisional interim arrangement, as per un-amended provisions of section 65B of the Ordinance (prior to amendment through the Finance Act, 2019). This reversal represents short tax credit adjusted against tax provision for the year ended June 30, 2019, which has been incorporated in current year's financial statements.

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**26.4** 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.

**26.5** 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.

The SCP, subsequent to the reporting date vide its judgment dated August 13, 2020, has dismissed the petition in 2-1 ratio. The SCP's judgment states that the cess under GIDC Act, 2015 was levied on those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their customers /clients. The SCP's judgment states that no late payment surcharge shall be collected while the GIDC amount that have become due upto July 31, 2020 will be recovered in 24

In the light of the SCP's judgment described in the preceding paragraph, the Company has filed a review petition before the SCP for waiver of full amount of GIDC on the grounds that the Company, being a spinning unit and producing raw materials for weaving sector, has not passed on GIDC burden to its customers. The yarn market is not a regulated market, i.e., the Company is a price taker not the price maker; therefore, spinning sector cannot add GIDC in the price and certainly has not collected the same from its customers.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of August, 2020, has raised GIDC demands aggregating Rs.345.261 million. The management has filed a review petition against the aforementioned judgment of the SCP and a highly favourable outcome is expected; therefore, GIDC provisions have not been recognised in the books of account.

The Company has also challenged the levy of GIDC in the PHC, on the basis of section 8 (2) of the GIDC Act, 2015. The PHC has granted stay order against recovery of GIDC vide its order dated September 16, 2020, and has referred the case to OGRA for hearing the pleas of Textile sector.

**27.2** Guarantee amounting Rs.75.000 million (2019: 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, 2020. The guarantee is secured against the securities as detailed in note 25 and is valid upto December 31, 2020.

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**27.3** No commitments were outstanding as at June 30, 2020; (commitments against irrevocable letters of credit for spare parts outstanding as at June 30, 2019 were for Rs. 37.90 millions.

**27.4** Also refer contents of note 26.4 and 26.5.

| **28. SALES** - Net | Note | **2020** | 2019 |
|---|---|---|---|
| **Local** | | **(Rupees in thousand)** | |
| Own manufactured goods | | | |
| - Yarn | | **1,553,956** | 2,098,767 |
| - Waste | | **92,281** | 95,348 |
| | | **1,646,237** | 2,194,115 |
| Trading activities - raw materials | | **163,573** | 43,293 |
| | | **1,809,810** | 2,237,408 |
| Less: sales tax | **28.1** | **260,848** | 19,123 |
| | | **1,548,962** | 2,218,285 |

**28.1** Zero-rating regime for textile sector has been withdrawn from July 01, 2019 and sale tax at the rate of 17% on sales to registered persons and 3% further tax on sales to unregistered persons have been levied.

| **29. COST OF SALES** | | | |
|---|---|---|---|
| Raw materials consumed | **29.1** | **1,031,754** | 1,426,893 |
| Packing materials consumed | | **21,637** | 34,439 |
| Salaries, wages and benefits | **29.2** | **253,782** | 304,633 |
| Power and fuel | | **194,451** | 237,296 |
| Repair and maintenance: | | | |
| - stores consumed | | **50,085** | 57,230 |
| - expenses | | **6,827** | 8,614 |
| | | **56,912** | 65,844 |
| Depreciation | **5.7** | **67,682** | 63,887 |
| Insurance | | **3,693** | 5,884 |
| | | **1,629,911** | 2,138,876 |
| Adjustment of work-in-process | | | |
| Opening | | **51,436** | 39,494 |
| Closing | **9** | **(21,000)** | (51,436) |
| | | **30,436** | (11,942) |
| Cost of goods manufactured | | **1,660,347** | 2,126,934 |
| Adjustment of finished goods | | | |
| Opening stock | | **56,771** | 26,642 |
| Closing stock | **9** | **(50,095)** | (56,771) |
| | | **6,676** | (30,129) |
| Cost of goods sold | | **1,667,023** | 2,096,805 |

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| | | Note | 2020 | 2019 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **29.1** | **Raw materials consumed** | | | |
| | Opening stock | | **777,178** | 606,258 |
| | Purchases (for manufacturing) | | **465,800** | 1,556,597 |
| | Cost of raw materials sold | | **154,320** | 40,527 |
| | | | **620,120** | 1,597,124 |
| | | | **1,397,298** | 2,203,382 |
| | Less: closing stock | **9** | **359,803** | 777,178 |
| | | | **1,037,495** | 1,426,204 |
| | Cess on cotton consumed | | **232** | 689 |
| | Less: insurance claim received against loss | | **1,037,727** | 1,426,893 |
| | of raw materials due to fire | | **5,973** | 0 |
| | | | **1,031,754** | 1,426,893 |

**29.2** These include Rs.22,133 thousand (2019: Rs.18,330 thousand) in respect of staff retirement benefits - gratuity.

| | | | | |
|---|---|---|---|---|
| **30.** | **DISTRIBUTION COST** | | | |
| | Freight, loading, travelling and conveyance | | **2,291** | 3,629 |
| | Salaries and benefits | **30.1** | **1,490** | 1,532 |
| | Commission | | **7,816** | 11,260 |
| | Others | | **254** | 118 |
| | | | **11,851** | 16,539 |

**30.1** These include Rs.260 thousand (2019: Rs.216 thousand) in respect of staff retirement benefits - gratuity.

| | | | | |
|---|---|---|---|---|
| **31.** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries and benefits | **31.1** | **62,916** | 60,324 |
| | Printing and stationery | | **815** | 1,008 |
| | Communication | | **1,083** | 1,049 |
| | Travelling and conveyance | | **3,479** | 3,142 |
| | Rent, rates and taxes | | **3,949** | 4,733 |
| | Insurance | | **615** | 490 |
| | Advertisement | | **41** | 75 |
| | Repair and maintenance | | **1,399** | 1,109 |
| | Vehicles' running | | **5,655** | 5,222 |
| | Guest house expenses and entertainment | | **1,567** | 2,086 |
| | Subscription | | **712** | 652 |
| | Auditors' remuneration: | | | |
| | - statutory audit | | **1,169** | 1,063 |
| | - short provisions for the preceding years | | **192** | 327 |
| | - half yearly review | | **182** | 165 |
| | - consultancy and certification charges | | **260** | 40 |
| | - out-of-pocket expenses | | **45** | 45 |
| | | | **1,848** | 1,640 |
| | Legal and professional charges (other than Auditors) | | **4,802** | 3,611 |
| | Depreciation | **5.7** | **3,313** | 3,019 |
| | Others | | **247** | 203 |
| | | | **92,441** | 88,363 |

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**31.1** These include Rs.3,645 thousand (2019: Rs.3,019 thousand) in respect of staff retirement benefits - gratuity.

| | Note | 2020 | 2019 |
|---|---|---|---|
| **32. OTHER EXPENSES** | | (Rupees in thousand) | |
| Loss on disposal of fixed assets - net | 5.8 | 7,369 | 0 |
| Donations (without directors' interest) | | 0 | 340 |
| Provision for impairment of trade debts | 10.1 | 419 | 0 |
| | | 7,788 | 340 |
| **33. OTHER INCOME** | | | |
| **Income from financial assets** | | | |
| Return on bank deposits | | 807 | 666 |
| Amortisation of gain on forward foreign exchange contracts | | 107 | 106 |
| **Income from non-financial assets** | | | |
| Salvage sales - net of sales tax | | 2,407 | 2,891 |
| | | 3,321 | 3,663 |
| **34. FINANCE COST** | | | |
| Mark-up on: | | | |
| - long term finances | | 33,090 | 19,468 |
| - short term finances | | 114,087 | 94,526 |
| Bank charges | | 553 | 1,896 |
| | | 147,730 | 115,890 |
| **35. TAXATION** | | | |
| Current | | | |
| - for the year | | 23,234 | 17,415 |
| - for prior years | | (11,089) | 30 |
| | 26 | 12,145 | 17,445 |
| Deferred: | | | |
| - for the year | | (6,332) | (73,806) |
| | | 5,813 | (56,361) |
| **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 | | (387,598) | (39,018) |
| | | (Number of shares) | |
| Weighted average number of ordinary shares in issue during the year | | 3,652,178 | 3,652,178 |
| | | ------- Rupees ------- | |
| Loss per share - basic | | (106.13) | (10.68) |
| **37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES** | | | |
| **37.1 Financial instruments by category** | | | |
| **Financial assets** | | | |
| **At amortised cost** | | | |
| Loans and advances | | 13,049 | 11,556 |
| Trade debts | | 6,406 | 308 |
| Other receivables | | 5,887 | 2,895 |
| Cash and bank balances | | 4,389 | 2,952 |
| | | 29,731 | 17,711 |

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| Financial liabilities<br>At amortised cost | 2020<br>(Rupees in thousand) | 2019 |
|---|---|---|
| Long term finances | **201,187** | 238,521 |
| Trade and other payables | **354,470** | 345,674 |
| Unclaimed dividends | **2,431** | 2,431 |
| Accrued interest / mark-up | **46,848** | 33,407 |
| Short term finances | **669,673** | 929,483 |
| | **1,274,609** | 1,549,516 |

**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. $ and Euro. The Company was not exposed to foreign currency risk as at June 30, 2020 as no foreign currency liability was outstanding on the aforementioned date. The Company's exposure to foreign currency risk for U.S. $ and Euro as at June 30, 2019 was as follows;

| | Rupees | U.S.$ | Euro |
|---|---|---|---|
| Funded: | | - - - - - - in thousand - - - - - - | |
| Bills payable - total exposure | 71,232 | 351 | 72 |

The following exchange rates were applied during the preceding financial year ended June 30, 2019:

| | Average rate | Reporting date rate |
|---|---|---|
| U.S. $ to Rupee | 132.10 | 164.50 |
| Euro to Rupee | 186.99 | 187.00 |

**Sensitivity analysis**

Not applicable as at June 30, 2020 as no funded foreign currency liability was outstanding on the aforementioned date; (as 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 preceding year would have been lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities).

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| Effect on loss for the preceding year: | 2019 Rupees in thousand |
|---|---|
| U.S. $ to Rupee | 5,774 |
| Euro to Rupee | 1,347 |

The weakening of Rupee against U.S. $ and Euro would have had an equal but opposite impact on loss before taxation for the preceding year.

The sensitivity analysis prepared was not necessarily indicative of the effect on loss for the preceding 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;

| | **2020** | 2019 | **2020** | 2019 |
|---|---|---|---|---|
| | **Effective rate** | | **Carrying amount** | |
| **Fixed rate instruments** | **%** | **%** | **(Rupees in thousand)** | |
| **Financial assets** | | | | |
| Bank balances | **3.25 to 10.25** | 4.50 to 10.25 | **165** | 2,701 |
| **Variable rate instruments** | | | | |
| **Financial liabilities** | | | | |
| Long term finances | **11.44 to 16.76** | 9.04 to 14.01 | **201,187** | 238,521 |
| Short term finances | **12.49 to 15.35** | 8.23 to 12.49 | **669,673** | 929,483 |

**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 rates at the reporting date would not affect statement of profit or loss.

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

At June 30, 2020, 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.8.709 million (2019: Rs.11.680 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.

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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, 2020 along with comparative is tabulated below:

| | **2020** | 2019 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Security deposits | **1,033** | 1,033 |
| Trade debts | **6,406** | 308 |
| Other receivables | **5,887** | 2,895 |
| Bank balances | **4,389** | 2,952 |
| | **17,715** | 7,188 |

All the trade debts at the reporting date represent domestic parties.

The ageing of trade debts at June 30, 2020 was as

| | |
|---|---|
| Not past due | **0** |
| Past due 1 - 30 days | **12** |
| Past due 30 - 180 days | **4,927** |
| Past due above 180 days | **1,467** |
| | **6,406** |

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 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.0.419 million (2019: 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.

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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 ---------- | | | |
| **2020** | | | | |
| **Long term finances** | **201,187** | **277,295** | **62,333** | **214,962** |
| **Trade and other payables** | **354,470** | **354,470** | **354,470** | **0** |
| **Unclaimed dividends** | **2,431** | **2,431** | **2,431** | **0** |
| **Accrued interest / mark-up** | **46,848** | **46,848** | **46,848** | **0** |
| **Short term finances** | **669,673** | **715,361** | **715,361** | **0** |
| | **1,274,609** | **1,396,405** | **1,181,443** | **214,962** |
| 2019 | | | | |
| Long term finances | 238,521 | 337,621 | 111,609 | 226,012 |
| Trade and other payables | 345,674 | 345,674 | 345,674 | 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 |
| | 1,549,516 | 1,693,061 | 1,467,049 | 226,012 |

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 current financial year, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings on freehold land, 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.

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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. 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 and short term finances less bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at June 30, 2020 and June 30, 2019 is as follows;

| | **2020** | 2019 |
|---|---|---|
| | **Rupees in thousand** | |
| Long term finances | **201,187** | 238,521 |
| Short term finances | **669,673** | 929,483 |
| Bank balances | **(4,389)** | (2,952) |
| **Net debt** | **866,471** | 1,165,052 |
| Share capital | **36,522** | 36,522 |
| Share premium reserve | **15,096** | 15,096 |
| Revaluation surplus on property, plant and equipment | **911,638** | 898,868 |
| General reserve | **88,000** | 88,000 |
| Gain on remeasurement of forward foreign exchange contracts | **2,032** | 2,139 |
| (Accumulated loss) / unappropriated profit | **(64,468)** | 280,886 |
| **Equity** | **988,820** | 1,321,511 |
| **Capital** | **1,855,291** | 2,486,563 |
| **Gearing ratio (Net debt / (Net debt + Equity))** | **46.70%** | 46.85% |

## 40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| Particulars | Chief Executive | | Director | | Executives | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **Rupees in thousand** | | | | | |
| Managerial remuneration | **13,579** | 12,212 | **5,994** | 5,419 | **16,394** | 15,662 |
| Bonus / ex-gratia | **0** | 434 | **0** | 222 | **0** | 847 |
| Retirement benefits | **900** | 900 | **425** | 425 | **608** | 1,236 |
| Utilities | **1,109** | 861 | **0** | 0 | **0** | 0 |
| Insurance | **6** | 6 | **5** | 4 | **9** | 11 |
| Medical | **2** | 41 | **203** | 138 | **1,082** | 1,143 |
| Leave encashment | **0** | 0 | **0** | 0 | **1,301** | 1,080 |
| | **15,596** | 14,454 | **6,626** | 6,208 | **19,394** | 19,979 |
| No. of persons | **1** | 1 | **1** | 1 | **5** | 5 |

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**40.1** Chief executive, director and four (2019: four) of the executives have been provided with the Company maintained cars and residential telephones.

**40.2** The Company has provided rent free accommodation to two (2019: two) of its executives in the mills' colony.

**40.3** In addition to above, meeting fees of Rs.780 thousand (2019: Rs.820 thousand) were paid to eight (2019: seven) non-working directors during the year.

## 41. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

**41.1** 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.

**41.2** Maximum aggregate debit balance of Associated Companies at any month-end during the year was Rs.4,047 thousand (2019: Rs.15 thousand).

**41.3** The related parties of the Company mainly comprise of associated undertakings, its directors and key management personnel. The Company in the normal course of business caries-out transactions with various related parties. Remuneration of directors and key management personnel are disclosed in note 40. 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. and Rahman Cotton Mills Ltd. ( Associated Companies on the basis of common directorships) during the year were as follows:

| **Janana De Malucho textile Mills Ltd.** | **2020** | 2019 |
|---|---|---|
| Residential rent: | **(Rupees in thousand)** | |
| - paid | **2,128** | 1,851 |
| - received | **0** | 48 |
| Utilities recovered | **0** | 25 |
| Utilities paid | **127** | 97 |
| Salaries & benefits - shared expenses charged | **3,128** | 2,879 |
| Sale of raw materials | **32,777** | 0 |
| **Rahman Cotton Mills Ltd.** | | |
| Sale of raw materials | **40,101** | 0 |

**41.4 Year-end balances were as follows:**

| | | |
|---|---|---|
| Due from Rahman Cotton Mills Ltd. | **4,047** | 0 |
| Due to Janana De Malucho Textile Mills Ltd. | **4,851** | 0 |

## 42. OPERATING SEGMENT

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

**42.2** Yarn sales represent 85.80% (2019: 93.80%) 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, 2020 are located in Pakistan.

**42.5** Two (2019: three) of the Company's customers contributed towards 22.88% (2019: 46.81%) of sales during the year aggregating Rs.355.623 million (2019: Rs.982.520 million)

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| 43. NUMBER OF EMPLOYEES | 2020 | 2019 |
|---|---|---|
| | ------ Numbers ------ | |
| Number of employees as at June 30, | | |
| - permanent | **963** | 1,045 |
| - contractual | **21** | 27 |
| | **984** | 1,072 |
| Average number of employees during the year | | |
| - permanent | **942** | 1,069 |
| - contractual | **21** | 41 |
| | **963** | 1,110 |

| 44. CAPACITY AND PRODUCTION | 2020 | 2019 |
|---|---|---|
| | ---- Numbers ---- | |
| Spindles installed | **53,340** | 53,256 |
| Rotors installed | **400** | 400 |
| Shifts worked for spindles | **810** | 1,094 |
| Shifts worked for rotors | **143** | 1,094 |
| Spindles / shifts worked | **33,531,442** | 55,258,361 |
| Rotors' shifts worked | **147,600** | 313,300 |
| Average count spun | **63.66** | 57.87 |
| | ----KGs.---- | |
| Actual production on rotors | **23,496** | 297,287 |
| Actual production on spindles | **2,104,550** | 3,788,413 |

**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.

**44.2** Under-utilization of capacity was due to effects of COVID - 19 due to closure of Mills since March, 2020 and severe working capital shortage.

**45. IMPACT OF COVID-19 (CORONA VIRUS)**

During March, 2020, Pakistan has enacted protection measures against COVID - 19 with a significant impact on daily life and supply chain. The evolution of COVID - 19 as well as its impact on Pakistan economy is very severe. The management has monitored the situation to ensure safety of its workers by introducing fool proof anti COVID - 19 measures and smooth operation of its business.

On March 23, 2020, the Government of the Khyber Pakhtunkhwa announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 25, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company intends to resume partial production activity by the end of October, 2020 and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. It is also expected that the outbreak may result in lower demand for the Company's products in the foreseeable future. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

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- the impairment of assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- deferred taxation in accordance with IAS 12, 'Income taxes'
- provisions and contingent liabilities under IAS 37 ; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there are significant accounting impacts of the effects of COVID-19 on these financial statements.

## 46. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Long term finances | Short term finances | Accrued interest / mark-up | Total |
|---|---|---|---|---|
| | ---------- Rupees in thousand ---------- | | | |
| Balance as at June 30, 2018 | 73,740 | 726,128 | 15,326 | 815,194 |
| Changes from financing activities | | | | |
| Finances obtained | 173,365 | 0 | 0 | 173,365 |
| Finances repaid | (8,584) | 0 | 0 | (8,584) |
| Short term finances obtained net of repayments | 0 | 203,355 | 0 | 203,355 |
| Finance cost paid | 0 | 0 | (95,913) | (95,913) |
| | 164,781 | 203,355 | (95,913) | 272,223 |
| Other changes | | | | |
| Mark-up / interest expense for the year | 0 | 0 | 113,994 | 113,994 |
| Balance as at June 30, 2019 | 238,521 | 929,483 | 33,407 | 1,201,411 |
| **Changes from financing activities** | | | | |
| **Finances repaid** | **(37,334)** | **0** | **0** | **(37,334)** |
| **Short term finances obtained net of repayments** | **0** | **(259,810)** | **0** | **(259,810)** |
| **Finance cost paid** | **0** | **0** | **(133,736)** | **(133,736)** |
| | **(37,334)** | **(259,810)** | **(133,736)** | **(430,880)** |
| **Other changes** | | | | |
| **Mark-up / interest expense for the year** | **0** | **0** | **147,177** | **147,177** |
| **Balance as at June 30, 2020** | **201,187** | **669,673** | **46,848** | **917,708** |

## 47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September, 24 2020 by the board of directors of the Company.

## 48. GENERAL

### 48.1 FIGURES

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

### 48.2 EVENT AFTER THE REPORTING DATE

The Board of Directors of the Company, in the meeting held on August 12, 2020, has discussed the matter of merger of the Company with Janana De Malucho Textile Mills Ltd. (JDM) and approved the merger of both the Companies. Further, the Board of the Company in the meeting held on September 24, 2020 has offered JDM to take the factory buildings and plant & machinery of the Company on lease in order to keep the plant & machinery of the Company in excellent working condition. This is a stop gap / interim arrangement till the completion of merger of both the entities.

| | | |
|---|---|---|
| **Muhammad Iftikhar Ali** | **Shoaib Ahmad Khan** | **Naeem Ullah Malik** |
| Chief Executive Officer | Director | Chief Financial Officer |

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## *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 the49th Annual General Meeting of the Company to be held on 21st October, 2020 at 12:00 Pm at registered office of the company at Habibabad, Kohat and at any adjournment thereof.

As witness my hand this.....day of..... 2020

**Witnesses:**

1. Signature: _____
   Name: _____
   Address: _____
   _____
   _____
   NIC or
   Passport No: _____

2. Signature: _____
   Name: _____
   Address: _____
   _____
   _____
   NIC or
   Passport No: _____

Signature

Please affix five rupees revenue stamp

Signature should agree with the specimen signature registered with the Company

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

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

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# بابری کاٹن ملز لیمیٹیڈ

## پراکسی فارم

میں/ہم_____ساکن_____ضلع_____

بحیثیت ممبر بابری کاٹن ملز لیمیٹیڈ_____(شیئرز کی تعداد)

رجسٹر کا فولیو نمبر_____اور/یا سی ڈی سی فولیو کا آئی ڈی نمبر_____اور ذیلی اکاؤنٹ نمبر_____

مسمی/مسماۃ_____ساکن_____کو

اجلاسِ عام میں جو کہ **21** اکتوبر **2020** دوپہر **12** بجے کمپنی کے رجسٹرڈ آفس، حبیب آباد کوہاٹ میں منعقد ہوگا، میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا ہوں/ کرتے ہیں۔

_____

دستخط حصص داران

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

گواہان:

نام_____

پتہ:_____

_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر_____

پاسپورٹ نمبر_____

بتاریخ:_____

دستخط_____

نام_____

پتہ_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر_____

پاسپورٹ نمبر_____

بتاریخ:_____

نوٹ:

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

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