

**BABRI COTTON MILLS LIMITED  
FINANCIAL STATEMENTS FOR THE  
SECOND QUARTER & HALF YEAR  
ENDED 31-12-2007**

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## DIRECTORS' REPORT TO THE SHARE HOLDERS

The board of directors presents the reviewed financial statements of the company for the quarter and half year ended on 31 December, 2007 (current half year).

The company has suffered net loss during the current half year. Current quarterly and half yearly results against respective comparative periods stand as follows:

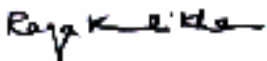
	<u>Quarter ended</u>		<u>Half-year ended</u>	
	<b>31 December, 2007</b>	31 December, 2006	<b>31 December, 2007</b>	31 December, 2006
	<b>Rs. in million</b>	Rs. in million	<b>Rs. in million</b>	Rs. in million
Sales – Net	<b>172.838</b>	199.974	<b>376.800</b>	372.195
Gross Profit	<b>11.662</b>	6.305	<b>24.146</b>	14.315
Operating Profit	<b>4.995</b>	4.545	<b>11.692</b>	6.972
Loss Before Taxation	<b>(5.109)</b>	(12.208)	<b>(15.933)</b>	(25.475)
Loss For The Period	<b>(2.091)</b>	(7.015)	<b>(10.566)</b>	(16.797)
Loss Per Share- Rs.	<b>(1.05)</b>	(3.51)	<b>(5.28)</b>	(8.40)

Textile industry of the country is passing through worst crises of its history. High cost of doing business in Pakistan, failure to improve the quality and quantity of domestic cotton, power and gas load shedding in addition to frequent and unplanned break downs in their supply, law and order situation and other related factors have forced majority of Pakistani spinning units to the brink of collapse. During the month of December, 2007 gas load shedding coupled with the tragic death of Mohtarma Benazir Bhutto and events following there after adversely effected the company's production and sales which further aggravated the crisis already being faced by the company.

Subsequent to the balance sheet date, problems of company were compounded manifold as security operations were launched in Dara Adam Khel which is adjacent to Kohat where registered office and mill's of the company are located. During this security operation electric pylons of WAPDA were blown-up, due to which supply of electric power to the company for operating its mill's was completely stopped. Further, gas was also not provided to the company during this period by Sui Northern Gas Pipelines Limited due to its policy of load shedding. In view of these circumstances operations of the mills were completely closed for quite some time and were partially restarted after power supply to the company was restored. The company had to wait till last fortnight of February, 2008 for complete restoration of gas and uninterrupted supply of power by WAPDA. We expect that results of the company for the next quarter will be badly affected due to loss of production and quality because of the reasons stated above.

On an application of the company, The Securities And Exchange Commission Of Pakistan vide its letter number Enf/CI/71/2007/2563 dated: January 16, 2008 has allowed the company to issue 896,000 ordinary shares, without issue of right shares, at a price of Rs. 25 per share to its associated companies (Bibojee Services (Pvt.) Limited 536,000 shares, Janana De Malucho Textile Mills Limited 360,000 shares). The board of directors of the company has approved the issuance of shares in the above described manner.

For & on behalf of the board of directors,

  
**RAZA KULI KHAN KHATTAK**  
Chief Executive

Dated: 29 February, 2008

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER, 2007**

	Un-audited 31 Dec., 2007 (Rupees in thousand)	Audited 30 Jun., 2007 (Rupees in thousand)		Un-audited 31 Dec., 2007 (Rupees in thousand)	Audited 30 Jun., 2007 (Rupees in thousand)
<b>EQUITY AND LIABILITIES</b>			<b>ASSETS</b>		
<b>SHARE CAPITAL AND RESERVES</b>			<b>NON-CURRENT ASSETS</b>		
Authorised capital	<u>250,000</u>	<u>250,000</u>	Property, plant and equipment		
Operating fixed assets				809,719	825,406
Issued, subscribed and paid-up capital	20,000	20,000	Stores held for capital expenditure	<u>2,057</u>	<u>2,596</u>
Reserves	97,931	98,138		811,776	828,002
<b>ACCUMULATED LOSS</b>	<b>(29,151)</b>	<b>(21,905)</b>	Investment in an associate	21,551	19,830
	<u>88,780</u>	<u>96,233</u>	Loans to employees	683	298
<b>SHARES DEPOSIT MONEY</b>	<b>22,400</b>	<b>0</b>	Security deposits	915	964
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>221,063</b>	<b>223,788</b>		<u>834,925</u>	<u>849,094</u>
<b>NON-CURRENT LIABILITIES</b>			<b>CURRENT ASSETS</b>		
Loan from an Associated Company	0	13,400	Stores, spares and loose tools	7,622	4,604
Demand finances	217,250	217,250	Stock-in-trade	297,474	264,408
Liabilities against assets subject to finance lease	86,287	86,485	Trade debts	2,020	0
Staff retirement benefits-gratuity	19,659	20,222	Advances to employees	1,020	690
Deferred taxation	49,436	56,686	Advance payments	668	150
	<u>372,632</u>	<u>394,043</u>	Trade deposits and prepayments	2,754	1,188
<b>CURRENT LIABILITIES</b>			Sales tax refundable	4,317	3,527
Current portion of liabilities against assets subject to finance lease	410	397	Due from an associate	1,899	2,792
Short term finances	331,491	288,645	Other receivables	3,370	0
Trade and other payables	98,980	78,983	Income tax refundable, advance tax and tax deducted at source	1,314	3,304
Accrued interest / mark-up	22,240	44,489	Cash and bank balances	2,497	555
Taxation	1,884	3,734		<u>324,955</u>	<u>281,218</u>
	<u>455,005</u>	<u>416,248</u>			
<b>CONTINGENCIES AND COMMITMENTS</b>					
	<u>1,159,880</u>	<u>1,130,312</u>		<u>1,159,880</u>	<u>1,130,312</u>

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

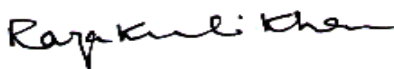
*Raza Kuli Khan*  
**RAZA KULI KHAN KHATTAK**  
CHIEF EXECUTIVE


*Ali Kuli Khan*  
**LT. GEN. (RETD.)**  
**ALI KULI KHAN KHATTAK**  
DIRECTOR

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

	<u>For the 2nd Quarter</u>		<u>Cumulative</u>	
	<u>Oct. - Dec.</u> <u>2007</u>	<u>Oct. - Dec.</u> <u>2006</u>	<u>July - Dec.</u> <u>2007</u>	<u>July - Dec.</u> <u>2006</u>
	----- Rupees in thousand -----			
<b>Sales</b>	<b>172,838</b>	199,974	<b>376,800</b>	372,195
<b>Cost of sales</b>	<b>161,176</b>	193,669	<b>352,654</b>	357,880
<b>Gross profit</b>	<b>11,662</b>	6,305	<b>24,146</b>	14,315
<b>Administrative and distribution expenses</b>	<b>7,076</b>	7,218	<b>13,296</b>	13,453
<b>Other operating expenses</b>	<b>104</b>	8	<b>112</b>	17
	<b>7,180</b>	7,226	<b>13,408</b>	13,470
	<b>4,482</b>	(921)	<b>10,738</b>	845
<b>Other operating income</b>	<b>513</b>	5,466	<b>954</b>	6,127
<b>Operating profit</b>	<b>4,995</b>	4,545	<b>11,692</b>	6,972
<b>Finance cost</b> (net of mark-up subsidy as detailed in 12.1)	<b>11,230</b>	15,625	<b>28,751</b>	31,319
	<b>(6,235)</b>	(11,080)	<b>(17,059)</b>	(24,347)
<b>Share of profit / (loss) of an associate</b>	<b>1,126</b>	(1,128)	<b>1,126</b>	(1,128)
<b>Loss before taxation</b>	<b>(5,109)</b>	(12,208)	<b>(15,933)</b>	(25,475)
<b>Taxation</b>				
- current (note 13)	<b>863</b>	1,023	<b>1,883</b>	1,884
- deferred	<b>(3,881)</b>	(6,216)	<b>(7,250)</b>	(10,562)
	<b>(3,018)</b>	(5,193)	<b>(5,367)</b>	(8,678)
<b>Loss for the period</b>	<b>(2,091)</b>	(7,015)	<b>(10,566)</b>	(16,797)
	----- Rupees -----			
<b>Loss per share</b>	<b>(1.05)</b>	(3.51)	<b>(5.28)</b>	(8.40)

- The annexed notes form an integral part of this condensed interim financial information.
- Appropriations have been reflected in the statement of changes in equity.

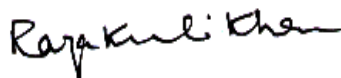
  
**RAZA KULI KHAN KHATTAK**  
**CHIEF EXECUTIVE**

  
**LT. GEN. (RETD.)**  
**ALI KULI KHAN KHATTAK**  
**DIRECTOR**

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

	<u>Half year ended</u>	
	31 Dec., 2007	31 Dec., 2006
<b>Cash flow from operating activities</b>	<b>(Rupees in thousand)</b>	
Loss for the period - before taxation and share of loss of an associate	(17,059)	(24,347)
Adjustments for:		
Depreciation	17,954	29,467
Gain on sale of operating fixed assets	(16)	(4,812)
Amortisation of gain on forward foreign exchange contracts	(207)	(229)
Staff retirement benefits - gratuity (net)	(563)	730
Finance cost	28,751	31,319
<b>Cash flow from operating activities - before working capital changes</b>	<b>28,860</b>	<b>32,128</b>
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(3,018)	(857)
Stock-in-trade	(33,066)	(97,983)
Trade debts	(2,020)	(5,800)
Advances to employees	(330)	(98)
Advance payments	(518)	(1,467)
Trade deposits and short term prepayments	(1,302)	(1,095)
Sales tax refundable	(790)	(565)
Due from an associate	893	240
Other receivables	(3,370)	(226)
Increase in trade and other payables	19,997	43,959
	<b>(23,524)</b>	<b>(63,892)</b>
<b>Cash inflow / (outflow) from operating activities - before taxation</b>	<b>5,336</b>	<b>(31,764)</b>
Taxes paid	(1,743)	(2,082)
<b>Cash inflow / (outflow) from operating activities - after taxation</b>	<b>3,593</b>	<b>(33,846)</b>
Net (increase) / decrease in loans to employees	(385)	175
<b>Net cash inflow / (outflow) from operating activities</b>	<b>3,208</b>	<b>(33,671)</b>
<b>Cash flow from investing activities</b>		
Property, plant and equipment	(1,746)	(42,534)
Sale proceeds and insurance claims of operating fixed assets	34	6,677
Security deposits	(215)	(168)
<b>Net cash outflow from investing activities</b>	<b>(1,927)</b>	<b>(36,025)</b>
<b>Cash flow from financing activities</b>		
Shares deposits money	9,000	0
Demand finances	0	9,250
Lease finances - net	(185)	(5,560)
Short term finances - net	42,846	105,173
Finance cost paid	(51,000)	(38,755)
Dividend paid	0	(1)
<b>Net cash inflow from financing activities</b>	<b>661</b>	<b>70,107</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,942</b>	<b>411</b>
<b>Cash and cash equivalents - at the beginning of the period</b>	<b>555</b>	<b>436</b>
<b>Cash and cash equivalents - at the end of the period</b>	<b>2,497</b>	<b>847</b>

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



**RAZA KULI KHAN KHATTAK**  
**CHIEF EXECUTIVE**

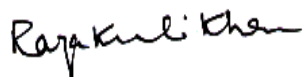


**LT. GEN. (RETD.)**  
**ALI KULI KHAN KHATTAK**  
**DIRECTOR**

**BABRI COTTON MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

	Reserves				Sub-total	Accumulated loss	Total
	Share capital	Share premium reserve	General reserve	Gain on hedging instruments			
----- Rupees in thousand -----							
Balance as at 30 June, 2006	20,000	6,000	88,000	4,598	98,598	(16,017)	102,581
Loss for half-year ended 31 December, 2006	0	0	0	0	0	(16,797)	(16,797)
Amortisation of gain on forward foreign exchange contracts	0	0	0	(229)	(229)	0	(229)
Transfer from surplus on revaluation of property, plant and equipment on account of :							
- incremental depreciation - net of deferred taxation	0	0	0	0	0	2,494	2,494
- realised on disposal of plant and machinery-net of deferred taxation	0	0	0	0	0	459	459
Effect of items directly credited in equity by the associate	0	0	0	0	0	779	779
<b>Balance as at 31 December, 2006</b>	<b>20,000</b>	<b>6,000</b>	<b>88,000</b>	<b>4,369</b>	<b>98,369</b>	<b>(29,082)</b>	<b>89,287</b>
Profit for half-year ended 30 June, 2007	0	0	0	0	0	5,703	5,703
Amortisation of gain on forward foreign exchange contracts	0	0	0	(231)	(231)	0	(231)
Transfer from surplus on revaluation of property, plant and equipment on account of :							
- incremental depreciation - net of deferred taxation	0	0	0	0	0	1,344	1,344
- realised on disposal of plant and machinery-net of deferred taxation	0	0	0	0	0	12	12
Effect of items directly credited in equity by the associate	0	0	0	0	0	118	118
<b>Balance as at 30 June, 2007</b>	<b>20,000</b>	<b>6,000</b>	<b>88,000</b>	<b>4,138</b>	<b>98,138</b>	<b>(21,905)</b>	<b>96,233</b>
Loss for-half year ended 31 December, 2007	0	0	0	0	0	(10,566)	(10,566)
Amortisation of gain on forward foreign exchange contracts	0	0	0	(207)	(207)	0	(207)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred taxation	0	0	0	0	0	2,725	2,725
Effect of items directly credited in equity by the associate	0	0	0	0	0	595	595
<b>Balance as at 31 December, 2007</b>	<b>20,000</b>	<b>6,000</b>	<b>88,000</b>	<b>3,931</b>	<b>97,931</b>	<b>(29,151)</b>	<b>88,780</b>

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



**RAZA KULI KHAN KHATTAK**  
**CHIEF EXECUTIVE**



**LT. GEN. (RETD.)**  
**ALI KULI KHAN KHATTAK**

**BABRI COTTON MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

1. The Company was incorporated in Pakistan on 26 October, 1970 as a Public Company. Its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in manufacture and sale of yarn. The Company's registered office and Mills are located at Habibabad, Kohat.
2. This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and has been reviewed by the external Auditors as required by the Code of Corporate Governance.
3. This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the preceding published annual financial statements of the Company for the year ended 30 June, 2007.
4. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the preceding published annual financial statements of the Company for the year ended 30 June, 2007.
5. The significant judgment, estimates and assumptions used by the management in preparation of this condensed interim financial information are the same as those applied to the preceding published annual financial statements of the Company for the year ended 30 June, 2007.

<b>6. SHARES DEPOSIT MONEY</b>		<b>Un-audited</b>	Audited
Associated Companies		<b>31 Dec.,</b>	30 June,
		<b>2007</b>	<b>2007</b>
	<b>Note</b>	<b>(Rupees in thousand)</b>	
Janana De Malucho Textile Mills Ltd. (JDM)	<b>6.1</b>	<b>9,000</b>	0
Bibojee Services (Pvt.) Ltd.	<b>7</b>	<b>13,400</b>	0
		<b>22,400</b>	<b>0</b>

**6.1** This has been received from JDM and will be utilised for issuance of further capital by the Company after completion of legal requirements under section 86(1) of the Companies Ordinance, 1984.

**7. LOAN FROM AN ASSOCIATED COMPANY**

This unsecured long term loan of Rs.13.400 million was obtained from Bibojee Services (Pvt.) Ltd. during April, 2007. The balance of this loan, during the current period, has been transferred to Shares Deposit Money Account. The Company, after completion of legal requirements, will utilise this balance for issuance of further capital in accordance with the provisions of section 86(1) of the Companies Ordinance, 1984 .

<b>8. DEMAND FINANCES - Secured</b>		<b>Un-audited</b>	Audited
National Bank of Pakistan (NBP)		<b>31 Dec.,</b>	30 June,
		<b>2007</b>	<b>2007</b>
		<b>(Rupees in thousand)</b>	
Rescheduled Demand Finance (RDF)		<b>217,250</b>	0
Demand Finance I (DF I)		<b>0</b>	61,250
Demand Finance II (DF II)		<b>0</b>	99,000
Demand Finance III (DF III)		<b>0</b>	12,000
Demand Finance IV (DF IV)		<b>0</b>	45,000
		<b>217,250</b>	<b>217,250</b>

**8.1**

NBP, during the current period vide its letter Ref. # CBIG - N / RCML / 351 / 2007 dated 19 November, 2007, has clubbed DF I, DF II, DF III and DF IV into one RDF of Rs.217.250 million, which is repayable in 14 equal half-yearly instalments commencing 01 January,

2009 and carries mark-up at the rate of 6-months KIBOR+1.75% per annum with effect from 01 July, 2007. The RDF is secured against first charge of Rs.240 million on current assets of the Company and first charge of Rs.700 million on fixed assets of the Company.

## 9. CONTINGENCIES AND COMMITMENTS

9.1 Counter guarantee given by the Company to a commercial bank outstanding as at 31 December, 2007 was for Rs.14.946 million (30 June, 2007: Rs.13.952 million).

	<b>Un-audited 31 Dec., 2007</b>	Audited 30 Jun., 2007
	<b>(Rupees in thousand)</b>	
9.2 Commitments for:		
irrevocable letters of credit		
- spare parts	451	0
- raw materials	37,846	7,973
other capital expenditure	2,900	2,900
	<u>41,197</u>	<u>10,873</u>

## 10. OPERATING FIXED ASSETS - Tangible

	<b>Un-audited Half-year ended 31 Dec., 2007</b>	Audited Year ended 30 June, 2007
	<b>(Rupees in thousand)</b>	
Opening book value	825,406	640,278
Surplus arisen on revaluation carried-out during the year - net	0	161,395
Additions during the period / year:		
<b>Owned:</b>		
- buildings on freehold land - factory	0	1,867
- plant and machinery	2,212	54,971
- generators	0	810
- tools and equipment	18	164
- furniture and fixtures	0	34
- office equipment	0	17
- vehicles	55	0
	<u>2,285</u>	<u>57,863</u>
Book value of assets disposed-off during the period / year	(18)	(1,910)
Depreciation charge for the period / year	(17,954)	(32,220)
Closing book value	<u>809,719</u>	<u>825,406</u>

## 11. INVESTMENT IN AN ASSOCIATE - Quoted

	<b>Un-audited 31 Dec., 2007</b>	Audited 30 June, 2007
	<b>(Rupees in thousand)</b>	
<b>Note</b>		
<b>Janana De Malucho Textile Mills Ltd. (JDM)</b>		
341,000 shares of Rs.10 each - cost	4,030	4,030
Equity held: 10.77%		
Post acquisition profit brought forward		



including effect of items directly credited in equity by the associate	<b>16,395</b>	15,618
Profit for the period / year - net of taxation	<b>1,126</b>	182
	<b><u>21,551</u></b>	<b><u>19,830</u></b>

Fair value of investments in JDM as at 31 December, 2007 was Rs.12.447 million (30 June, 2007: Rs.9.395 million).

## 12. OTHER RECEIVABLES

Mark-up rate subsidy receivable from banks	<b>12.1</b>	<b>3,254</b>	0
Miscellaneous receivables		<b>116</b>	0
		<b><u>3,370</u></b>	<b><u>0</u></b>

**12.1** This represents mark-up rate subsidy of 3% on the outstanding running balances of principal amount of floating rate finances availed by the Company from commercial banks for financing of import of spinning machinery vide SRO No.973(I) / 2007 dated 06 September, 2007. This mark-up rate subsidy to spinning mills has been announced by the Government with effect from 01 July, 2007.

## 13. TAXATION

In view of available tax losses, the current tax expense represents the minimum tax on turnover for the half-year due under section 113 of the Income Tax Ordinance, 2001.

## 14. TRANSACTIONS WITH RELATED PARTIES

**14.1** Aggregate transactions made during the period / year with associates were as follows:

	<b>Un-audited Half-year ended 31 Dec., 2007</b>	Audited Year ended 30 June, 2007
	<b>(Rupees in thousand)</b>	
- shares deposit money	<b>9,000</b>	0
- long term loan received	<b>0</b>	13,400
- sale of raw materials	<b>58</b>	320
- purchase of goods and services	<b>4,742</b>	4,554
- residential rent:		
- paid	<b>66</b>	132
- received	<b>0</b>	5
- insurance claims received	<b>0</b>	15,658
- mark-up:		
- earned	<b>41</b>	148
- accrued	<b>417</b>	843

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

**14.3** Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the associates, which are on actual basis.

**14.4** Trade and other payables include due to associates aggregating Rs.11,210 thousand (30 June, 2007: Rs.8,668 thousand).

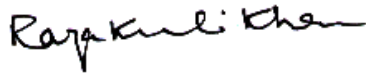
**14.5** Accrued mark-up / interest includes due to associates aggregating Rs.2,829 thousand (30 June, 2007: Rs.843 thousand).

## 15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company in its meeting held on 29th February, 2008.

## 16. FIGURES

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged nor re-classified.



**RAZA KULI KHAN KHATTAK**  
**CHIEF EXECUTIVE**



**LT. GEN. (RETD.)**  
**ALI KULI KHAN KHATTAK**  
**DIRECTOR**