

**BABRI COTTON MILLS LIMITED
FINANCIAL STATEMENTS FOR THE
SECOND QUARTER & HALF YEAR
ENDED 31-12-2009**

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DIRECTORS' REPORT TO THE SHARE HOLDERS

The board of directors is pleased to present the reviewed financial statements of the company for the quarter and half year ended on 31 December, 2009 (current half year).

Current quarterly and half yearly results against respective comparative periods stand as follows:

	<u>Second Quarter</u>		<u>Cumulative</u>	
	Oct. – Dec. 2009	Oct. – Dec. 2008	July – Dec. 2009	July – Dec. 2008
	----- (Rupees in million) -----			
Sales – Net	263.696	183.321	463.084	388.331
Gross Profit	50.463	19.261	68.722	47.338
<i>Gross Profit%</i>	<i>19.14%</i>	<i>10.51%</i>	<i>14.84%</i>	<i>12.19%</i>
Operating Profit	43.611	12.957	57.271	35.677
Profit / (Loss) Before Taxation	19.620	(18.741)	8.616	(21.212)
Profit / (Loss) For The Period	9.105	(11.473)	1.424	(13.141)
Earnings / (Loss) Per Share - Rs.	3.14	(3.96)	0.49	(4.54)

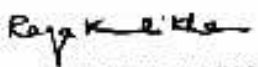
It is after the passage of five long years that the company has again started making profit. Yarn prices over the past few years had failed to keep pace with the galloping inflation. This had made the entire spinning industry non-viable. In the second quarter of the current year, yarn prices have increased to a level which in the long run will make the operations of spinning industry sustainable.

The company has earned profit of Rs. 1.424 million for the current half year. Sales of the company have increased by Rs.74.753 million during the current half year i.e. an increase of 19.25%. Sales for the second quarter have increased by 43.84% against comparative quarter of Oct. – Dec. 2008.

The second hand Chinese and Japanese ring frames (28 ring frames – 13,440 spindles) which have replaced the old SACM ring frames (34 ring frames – 14,688 spindles) have been successfully installed during the current half year and are operating efficiently. With respect to qualification in auditor's report to the members, we are of the same view as expressed in detail in the directors' report to the shareholders for the year ending 30 June, 2009. Agreement with National Bank of Pakistan regarding rescheduling/re-profiling of demand finances and mark-up accrued there on is expected to be reached soon.

We anticipate that the current market conditions will continue in the second half of the current year and profitability of the company will further improve.

For & on behalf of the board of directors,


RAZA KULI KHAN KHATTAK
Chief Executive

Dated: 27 February, 2010

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of BABRI COTTON MILLS LIMITED as at 31 December, 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2009.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

In contravention of the requirements of IAS 1, mark-up accrued on demand finances, pertaining to the period from 01 October, 2008 to 31 December, 2009, aggregating Rs.43.395 million has been classified as frozen mark-up on demand finances and grouped under non-current liabilities; further, current and overdue portions of demand finances aggregating Rs.62.072 million have been grouped under non-current liabilities (notes 4.2 and 5.2). Agreement with National Bank of Pakistan for renewal / rescheduling of these liabilities is under its consideration.

Qualified Conclusion

Based on our review, except for the matters referred to in the aforementioned paragraph and the extent to which these may affect the annexed interim financial information, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half-year ended 31 December, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:

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

Engagement Partner: Abdul Hameed Chaudhri

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER, 2009

	Un-audited 31 Dec., 2009	Audited 30 June, 2009		Un-audited 31 Dec., 2009	Audited 30 June, 2009
Note	(Rupees in thousand)		Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			ASSETS		
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS		
Authorised capital	<u>250,000</u>	<u>250,000</u>	Property, plant and equipment	7 1,009,733	1,011,169
Issued, subscribed and paid-up capital	28,960	28,960	Investment in an Associated Company	8 3,308	2,182
Reserves	110,890	110,979	Advances to employees	521	581
ACCUMULATED LOSS	(108,046)	(111,215)	Security deposits	911	904
	<u>31,804</u>	<u>28,724</u>		<u>1,014,473</u>	<u>1,014,836</u>
FROZEN MARK-UP ON DEMAND FINANCES	4 43,395	27,504	CURRENT ASSETS		
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	447,013	449,475	Stores, spares and loose tools	4,982	12,580
NON-CURRENT LIABILITIES			Stock-in-trade	380,743	321,233
Demand finance	5 217,250	217,250	Advances to employees	1,465	1,664
Liabilities against assets subject to finance lease	75,306	86,064	Advance payments	2,043	817
Staff retirement benefits-gratuity	21,111	20,271	Trade deposits and prepayments	2,857	166
Deferred taxation	13,311	8,434	Sales tax refundable	4,688	4,786
	<u>326,978</u>	<u>332,019</u>	Other receivables	3,035	6,622
CURRENT LIABILITIES			Due from Associated Companies	216	0
Current portion of liabilities against assets subject to finance lease	10,758	0	Income tax refundable, advance tax and tax deducted at source	2,902	1,477
Short term finances	421,406	397,829	Cash and bank balances	607	536
Trade and other payables	112,226	108,618		<u>403,538</u>	<u>349,881</u>
Accrued interest / mark-up	22,116	20,548			
Taxation	2,315	0			
	<u>568,821</u>	<u>526,995</u>			
CONTINGENCIES AND COMMITMENTS					
	6				
	<u>1,418,011</u>	<u>1,364,717</u>		<u>1,418,011</u>	<u>1,364,717</u>

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

Rajkumar Khan
CHIEF EXECUTIVE

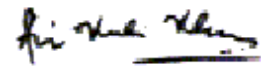
Rajkumar Khan
DIRECTOR

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2009 (UN-AUDITED)

	<u>For the 2nd Quarter</u>		<u>Cumulative</u>	
	<u>Oct. - Dec.</u>	<u>Oct. - Dec.</u>	<u>July - Dec.</u>	<u>July - Dec.</u>
	2009	2008	2009	2008
	----- (Rupees in thousand) -----			
SALES	263,696	183,321	463,084	388,331
COST OF SALES	213,233	164,060	394,362	340,993
GROSS PROFIT	50,463	19,261	68,722	47,338
ADMINISTRATIVE AND DISTRIBUTION EXPENSES	7,699	6,419	13,095	12,349
OTHER OPERATING EXPENSES	7	7	22	15
	7,706	6,426	13,117	12,364
	42,757	12,835	55,605	34,974
OTHER OPERATING INCOME	854	122	1,666	703
OPERATING PROFIT	43,611	12,957	57,271	35,677
FINANCE COST	25,834	27,552	50,498	52,743
	17,777	(14,595)	6,773	(17,066)
SHARE OF PROFIT / (LOSS) OF AN ASSOCIATED COMPANY - Note 8	853	(4,146)	853	(4,146)
REVERSAL OF IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATED COMPANY	990	0	990	0
	1,843	(4,146)	1,843	(4,146)
PROFIT / (LOSS) BEFORE TAXATION	19,620	(18,741)	8,616	(21,212)
TAXATION				
- Current	1,318	0	2,315	0
- Deferred	9,197	(7,268)	4,877	(8,071)
	10,515	(7,268)	7,192	(8,071)
PROFIT / (LOSS) FOR THE PERIOD	9,105	(11,473)	1,424	(13,141)
	----- Rupees -----			
EARNINGS / (LOSS) PER SHARE	3.14	(3.96)	0.49	(4.54)

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


CHIEF EXECUTIVE


DIRECTOR

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF-YEAR ENDED 31 DECEMBER, 2009

	For the 2nd Quarter		Cumulative	
	Oct. - Dec., 2009	Oct. - Dec., 2008	July - Dec., 2009	July - Dec., 2008
	----- Rupees in thousand -----			
PROFIT / (LOSS) AFTER TAXATION	9,105	(11,473)	1,424	(13,141)
OTHER COMPREHENSIVE INCOME:				
Transfer from surplus on revaluation of property, plant & equipment on account of:				
- incremental depreciation (net of deferred taxation)	1,222	1,294	2,444	2,588
- realised on disposal of revalued fixed assets (net of deferred taxation)	3	0	18	15
Effect of items credited in other comprehensive income by an Associated Company	(717)	637	(717)	637
Other comprehensive income for the period	508	1,931	1,745	3,240
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	9,613	(9,542)	3,169	(9,901)

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

Rajkumar Khan

CHIEF EXECUTIVE

for the Director

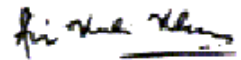
DIRECTOR

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009 (UN-AUDITED)

	Half year ended	
	31 Dec., 2009	31 Dec., 2008
	(Rupees in thousand)	
Cash flow from operating activities		
Profit / (loss) for the period - before taxation and share of profit / (loss) of an Associated Company	6,773	(17,066)
Adjustments for non cash charges and other items:		
Depreciation	16,533	17,187
Gain on sale of operating fixed assets-net	(301)	(13)
Amortisation of gain on forward foreign exchange contracts	(89)	(186)
Staff retirement benefits - gratuity (net)	840	(3,254)
Finance cost	50,347	52,599
Cash flow from operating activities - before working capital changes	74,103	49,267
(Increase) / decrease in current assets:		
Stores, spares and loose tools	7,598	(4,105)
Stock-in-trade	(59,510)	(32,005)
Trade debts	0	(8)
Advances to employees	199	(89)
Advance payments	(1,226)	10
Trade deposits and short term prepayments	(2,691)	(2,289)
Sales tax refundable	98	(214)
Due from Associated Companies	(216)	0
Other receivables	3,587	(156)
Increase in trade and other payables	3,608	908
	(48,553)	(37,948)
Cash inflow from operating activities - before taxation	25,550	11,319
Taxes paid	(1,425)	(1,139)
Cash inflow from operating activities - after taxation	24,125	10,180
Net decrease / (increase) in loans to employees	60	(419)
Net cash inflow from operating activities	24,185	9,761
Cash flow from investing activities		
Fixed capital expenditure	(15,438)	(3,799)
Sale proceeds of operating fixed assets	642	295
Security deposits	(7)	0
Net cash outflow from investing activities	(14,803)	(3,504)
Cash flow from financing activities		
Lease finances - net	0	(210)
Short term finances - net	23,577	41,502
Finance cost paid	(32,888)	(46,416)
Net cash outflow from financing activities	(9,311)	(5,124)
Net increase in cash and cash equivalents	71	1,133
Cash and cash equivalents - at the beginning of the period	536	5,473
Cash and cash equivalents - at the end of the period	607	6,606

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


CHIEF EXECUTIVE


DIRECTOR

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009

	Reserves					Accumul- ated loss	Total
	Share capital	Share premium	General	Gain on hedging instrum- ents	Sub- total		
----- Rupees in thousand -----							
Balance as at 30 June, 2008	28,960	19,440	88,000	3,725	111,165	(44,485)	95,640
Total comprehensive loss for the half-year ended 31 December, 2008	0	0	0	0	0	(9,901)	(9,901)
Amortisation of gain on forward foreign exchange contracts	0	0	0	(186)	(186)	0	(186)
Balance as at 31 December, 2008	28,960	19,440	88,000	3,539	110,979	(54,386)	85,553
Total comprehensive loss for the half-year ended 30 June, 2009	0	0	0	0	0	(56,829)	(56,829)
Balance as at 30 June, 2009	28,960	19,440	88,000	3,539	110,979	(111,215)	28,724
Total comprehensive income for the half-year ended 31 December, 2009	0	0	0	0	0	3,169	3,169
Amortisation of gain on forward foreign exchange contracts	0	0	0	(89)	(89)	0	(89)
Balance as at 31 December, 2009	28,960	19,440	88,000	3,450	110,890	(108,046)	31,804

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

Rajkumar Khan

CHIEF EXECUTIVE

for the Khan

DIRECTOR

BABRI COTTON MILLS LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2009

1. CORPORATE INFORMATION

Babri Cotton Mills Limited (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. BASIS OF PREPARATION

This condensed interim financial information is un-audited; it has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 (Interim Financial Reporting). The figures for the half-year ended 31 December, 2009 have, however, been subjected to limited scope review by the external Auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual published financial statements of the Company for the year ended 30 June, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual published financial statements of the Company for the year ended 30 June, 2009 except for the changes mentioned below:

3.1

IAS 1 (Revised) - (Presentation of Financial Statements). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

3.2 In addition to above, following amendments to standards are mandatory for the first time for financial year beginning on 01 July, 2009 and are also relevant to the Company. The adoption of these amendments does not have significant impact on the condensed interim financial information of the Company.

- IAS 23 (Amendment) - Borrowing Costs
- IAS 28 (Amendment) - Investment in Associates
- IAS 36 (Amendment) - Impairment of Assets
- IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 July, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in the condensed interim financial information.

4. FROZEN MARK-UP ON DEMAND FINANCES

- 4.1 This represents mark-up accrued on demand finances pertaining to the period from 01 October, 2008 to 31 December, 2009. The management intends to issue preference shares against this liability and is negotiating with National Bank of Pakistan to finalise the rescheduling arrangements.
- 4.2 In the opinion of External Auditors, classification of accrued mark-up as non-current liability is not permissible under the requirements of International Accounting Standard - 1 (Presentation of Financial Statements).

5. DEMAND FINANCES - Secured

National Bank of Pakistan (NBP)

5.1

As per the original repayment terms, these finances were repayable in 14 equal half-yearly instalments with effect from 01 January, 2009; however, the Company has paid no instalment of these finances during the current period and preceding financial year and is negotiating with NBP for rescheduling / restructuring of these finances. Accordingly, current and overdue portions of these finances aggregating Rs.62.072 million (30 June, 2009: Rs.46.554 million) have not been grouped under current liabilities. As per the NBP's Corporate Head letter Ref.# CIBG/ISD/138/2010 dated 08 February, 2010, the credit lines of the Company are under consideration for rescheduling / restructuring.

- 5.2 In the opinion of External Auditors, non-inclusion of current and overdue portions of these finances under current liabilities as at 31 December, 2009 is not permissible under the requirements of IAS 1 (Presentation of Financial Statements).

6. CONTINGENCIES AND COMMITMENTS

- 6.1 Counter guarantee given by the Company to a commercial bank outstanding as at 31 December, 2009 was for Rs.18 million (30 June, 2009: Rs.18 million).
- 6.2 Commitments for capital expenditure as at 31 December, 2009 were for Rs. 2.900 million (30 June, 2009: Rs.3.334 million)
- 6.3 Commitments for irrevocable letters of credit outstanding as at 31 December, 2009 aggregated Rs.69.256 million (30 June, 2009: Rs. Nil).

7. PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited 31 Dec., 2009 (Rupees in thousand)	Audited 30 June, 2009
Operating fixed assets	7.1	1,008,810	1,000,084
Capital work-in-progress - at cost		0	9,344
Stores held for capital expenditure		923	1,741
		1,009,733	1,011,169
7.1 Operating fixed assets			
Opening book value		1,000,084	794,266
Revaluation surplus		0	236,880
Additions during the period / year:			
- plant and machinery		20,879	12,091
- generators		4,664	2,886
- tools and equipment		57	11
- furniture and fixtures		0	12
- vehicles		0	606
		25,600	15,606
Transfer-in to owned vehicles		0	672
Transfer-out from leased vehicles		0	(672)
Book value of assets disposed-off during the period / year		(341)	(12,239)
Depreciation charge for the period / year		(16,533)	(34,429)
Closing book value		1,008,810	1,000,084

8. INVESTMENT IN AN ASSOCIATED COMPANY - Quoted	Un-audited 31 Dec., 2009	Audited 30 June, 2009
	(Rupees in thousand)	
Janana De Malucho Textile Mills Ltd.		
341,000 shares of Rs.10 each - cost	4,030	4,030
Equity held: 7.92% (30 June, 2009:10.77%)		
Post acquisition profit brought forward including effect of items directly credited in other comprehensive income by the Associated Company	9,243	19,471
Profit for the period / (loss for the year) - net of taxation	853	(9,511)
	14,126	13,990
Less: impairment loss	(10,818)	(11,808)
	3,308	2,182

Fair value of investments as at 31 December, 2009 was Rs.3.308 million (30 June, 2009: Rs.2.182 million).

9. TRANSACTIONS WITH ASSOCIATED COMPANIES

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

	Un-audited Half-year ended	
	31 Dec., 2009	31 Dec., 2008
	(Rupees in thousand)	
- sale of raw materials and yarn	256	90
- purchase of goods and services	5,386	5,782
- residential rent paid	66	66
- mark-up accrued	874	594
- insurance claim received	6,355	0

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

9.3 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 Associated Companies, which are on the actual basis.

9.4 Trade and other payables include due to Associated Companies aggregating Rs.12,997 thousand (30 June, 2009: Rs.15,090 thousand).

9.5 Accrued mark-up / interest includes due to Associated Companies aggregating Rs. 2,324 thousand (30 June, 2009: Rs.1,635 thousand).

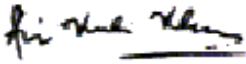
10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 27 February, 2010.

11. GENERAL

Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.


CHIEF EXECUTIVE


DIRECTOR