

**BABRI COTTON MILLS LIMITED  
FINANCIAL STATEMENTS FOR THE  
PERIOD ENDED 30-09-2007**

**TABLE OF CONTENT**

1. DIRECTORS REPORT
2. BALANCE SHEET
3. PROFIT & LOSS ACCOUNT
4. CASH FLOW STATEMENT
5. STATEMENT OF CHANGES IN EQUITY
6. NOTES TO THE ACCOUNT

## DIRECTORS' REPORT TO THE SHARE HOLDERS

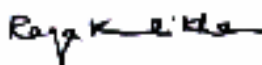
The directors of your company present the un-audited financial statements of the company for the first quarter ended on 30 September, 2007 (current quarter).

The company has suffered net loss during the first quarter of the current year. Current quarter's results against comparative quarter stand as follows:

	<b>2007</b> <b>Rs. in million</b>	2006 Rs. in million
Sales – Net	<b>203.96</b>	172.22
Gross Profit	<b>12.48</b>	8.01
Operating Profit	<b>6.70</b>	2.43
Loss Before Taxation	<b>(10.82)</b>	(13.27)
Loss After Taxation	<b>(8.48)</b>	(9.78)
Loss Per Share - Rupees	<b>(4.24)</b>	(4.89)

Sales and cost of sales have increased mainly due to increase in prices owing to inflation and spinning of coarser counts during the current quarter. Historically performance of the company in first quarter of financial year has not been good, since the market of super fine counts produced by the company is traditionally depressed in this period. It is anticipated that in remaining three quarters of the current year, performance of the company will improve.

For & on behalf of the board of directors

  
**RAZA KULI KHAN KHATTAK**  
Chief Executive

Dated: 28 October, 2007

**BABRI COTTON MILLS LIMITED**  
**BALANCE SHEET AS AT 30 SEPTEMBER, 2007**

	Un-audited 30 September, 2007	Audited 30 June, 2007		Un-audited 30 September, 2007	Audited 30 June, 2007
	Rupees in thousand			Rupees in thousand	
<b>EQUITY AND LIABILITIES</b>			<b>ASSETS</b>		
<b>SHARE CAPITAL AND RESERVES</b>			<b>NON CURRENT ASSETS</b>		
Authorised capital 25,000,000 ordinary shares of Rs. 10 each	<u>250,000</u>	<u>250,000</u>	Property, plant and equipment		
Issued, subscribed and paid-up capital 2,000,000 ordinary shares of Rs. 10 each issued for cash	20,000	20,000	Operating fixed assets	817,840	825,406
Reserves	98,035	98,138	Stores held for capital expenditure	<u>2,120</u>	<u>2,596</u>
Accumulated loss	<u>(29,018)</u>	<u>(21,905)</u>		819,960	828,002
	89,017	96,233	<b>INVESTMENTS</b>		
<b>SURPLUS ON RE-VALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	222,426	223,788	<b>IN ASSOICATES</b>	19,830	19,830
			<b>LONG TERM ADVANCES</b>	282	298
<b>NON-CURRENT LIABILITIES</b>			<b>LONG TERM SECURITY DEPOSITS AND PREPAYMENTS</b>	<u>914</u>	<u>964</u>
Long term loans from related parties	25,400	13,400		840,986	849,094
Demand finances	217,250	217,250	<b>CURRENT ASSETS</b>		
Liabilities against assets subject to finance lease	86,485	86,485	Stores, spares and loose tools	4,910	4,604
Staff retirement benefits-gratuity	20,233	20,222	Stock-in-trade	208,379	264,408
Deferred taxation	<u>53,317</u>	<u>56,686</u>	Trade debtors	0	0
	402,685	394,043	Advances to employees	808	690
<b>CURRENT LIABILITIES</b>			Advance payments	469	150
Current portion of liabilities against assets subject to finance lease	306	397	Trade deposits and prepayments	4,591	1,188
Short term finances	230,513	288,645	Sales tax refundable	4,054	3,527
Trade and other payables	96,864	78,983	Due from an associate	2,566	2,792
Accrued interest / mark-up	24,911	44,489	Other receivables	9	0
Taxation	<u>4,754</u>	<u>3,734</u>	Income tax refundable, advance tax and tax deducted at source	4,082	3,304
	357,348	416,248	Cash and bank balances	622	555
<b>CONTINGENCIES AND COMMITMENTS</b>				230,490	281,218
	<u>1,071,476</u>	<u>1,130,312</u>		<u>1,071,476</u>	<u>1,130,312</u>

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

*Zeb Gohar Ayub*  
**ZEB GOHAR AYUB**  
DIRECTOR

**BABRI COTTON MILLS LIMITED**  
**PROFIT & LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

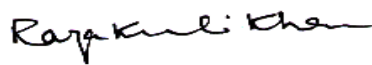
	30 September, 2007	30 September, 2006
	Rupees in thousand	
SALES	203,962	172,221
COST OF SALES	191,478	164,211
GROSS PROFIT	12,484	8,010
ADMINISTRATIVE AND DISTRIBUTION EXPENSES	6,220	6,235
OTHER OPERATING EXPENSES	8	9
	6,228	6,244
	6,256	1,766
OTHER OPERATING INCOME	441	661
OPERATING PROFIT	6,697	2,427
FINANCE COST	17,521	15,694
LOSS BEFORE TAXATION	(10,824)	(13,267)
TAXATION		
Current	1,020	861
Deferred	(3,369)	(4,346)
	(2,349)	(3,485)
LOSS AFTER TAXATION	(8,475)	(9,782)
	----- Rupees -----	
LOSS PER SHARE	(4.24)	(4.89)

*Razakuli Khan*  
**RAZA KULI KHAN KHATTAK**  
**CHIEF EXECUTIVE**

*Zeb Gohar Ayub*  
**ZEB GOHAR AYUB**  
**DIRECTOR**

**BABRI COTTON MILLS LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	<b>30 September, 2007</b>	<b>30 September, 2006</b>
	<b>Rupees in thousand</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the quarter - before taxation	(10,824)	(13,267)
Adjustments for:		
Depreciation	8,969	12,822
Amortization of gain on forward foreign exchange contracts	(103)	(114)
Staff retirement benefits - gratuity (net)	11	102
Finance cost	17,468	15,619
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	15,521	15,162
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(306)	(647)
Stock-in-trade	56,029	1,290
Trade debtors	-	(2,696)
Advances to employees	(118)	4
Advance payments	(319)	(530)
Trade deposits and short term prepayments	(3,403)	(2,070)
Sales tax refundable	(527)	(665)
Due from an associate	226	151
Other receivables	(9)	(8,274)
Increase/(decrease) in trade and other payables	17,881	(3,695)
	<b>69,454</b>	<b>(17,132)</b>
<b>CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		
- Before taxation	84,975	(1,970)
Taxes paid	(778)	(1,435)
<b>CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		
- After taxation	84,197	(3,405)
Net decrease in long term advances	16	97
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>84,213</b>	<b>(3,308)</b>
<b>CASH (INFLOW)/OUTFLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(927)	(23,904)
Long term security deposits and prepayments	50	-
	<b>(877)</b>	<b>(23,904)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Demand finances obtained	-	20,000
Lease finances - repaid	(91)	-
Long term loans obtained from related parties	12,000	-
Short term finances - net	(58,132)	12,210
Finance cost paid	(37,046)	(2,925)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(83,269)</b>	<b>29,285</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>67</b>	<b>2,073</b>
<b>CASH AND CASH EQUIVALENTS - At the beginning of the quarter</b>	<b>555</b>	<b>436</b>
<b>CASH AND CASH EQUIVALENTS - At the end of the quarter</b>	<b>622</b>	<b>2,509</b>

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

  
**ZEB GOHAR AYUB**  
**DIRECTOR**

**BABRI COTTON MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

	Reserves				Sub-Total	Unappropriated profit	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 the quarter ended 30 September, 2006	-	-	-	-	-	(9,782)	(9,782)
Amortization of gain on forward foreign exchange contracts	-	-	-	(115)	(115)	-	(115)
Balance as at 30 September, 2006	20,000	6,000	88,000	4,483	98,483	(25,799)	92,684
Loss for the nine months ended 30 June, 2007	-	-	-	-	-	(1,312)	(1,312)
Amortization of gain on forward foreign exchange contracts	-	-	-	(345)	(345)	-	(345)
Transfer from surplus on revaluation of property plant and equipment on account of:							
- incremental depreciation for the period - net of deferred taxation	-	-	-	-	-	3,838	3,838
- realized on disposal of plant and machinery-net of deferred taxation	-	-	-	-	-	471	471
Effect of items directly credited in equity by the associate	-	-	-	-	-	897	897
Balance as at 30 June, 2007	20,000	6,000	88,000	4,138	98,138	(21,905)	96,233
Loss for the quarter ended 30 September, 2007	-	-	-	-	-	(8,475)	(8,475)
Amortization of gain on forward exchange contract	-	-	-	(103)	(103)	-	(103)
Transfer from surplus on revaluation of property, plant and equipment on account of :							
- Incremental depreciation for the period - net of deferred taxation	-	-	-	-	-	1,362	1,362
Balance as at 30 September, 2007	20,000	6,000	88,000	4,035	98,035	(29,018)	89,017

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

*Zeb Gohar Ayub*  
**ZEB GOHAR AYUB**  
**DIRECTOR**

**BABRI COTTON MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER, 2007**

**1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on 26 October, 1970 as a Public Company. Its shares are quoted on The Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in the manufacture and sale of yarn.

**2. STATEMENT OF COMPLIANCE**

These un-audited financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 (Interim Financial Reporting) and are being submitted to the share holders as required by Section 245 of the Companies Ordinance, 1984 and listing regulations of The Karachi Stock Exchange (Guarantee) Limited.

The accounting policies and methods of computation adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding published audited financial statements of the company for the year ended 30 June, 2007.

**3. CONTINGENCIES AND COMMITMENTS**

	<b>Un-audited Quarter ended 30 September, 2007</b>	<b>Audited Year ended 30 June, 2007</b>
	<b>Rupees in thousand</b>	
- Commitments for:		
irrevocable letters of credit		
- raw materials	0	7,973
other capital expenditure	2,900	2,900
	<b>2,900</b>	<b>10,873</b>
	<b>2,900</b>	<b>10,873</b>
- Counter guarantee given by the Company to a commercial bank outstanding as at 30 September, 2007 was for Rs.13.952 million (30 June, 2007:Rs.13.952 million).		

**4. OPERATING FIXED ASSETS - Tangible**

Opening book value	825,406	640,278
Additions during the quarter/year :		
Buildings on freehold land		
Factory	-	1,867
Plant and machinery	1,332	53,061
Generators	-	810
Tools and equipment	18	164
Furniture and fixtures	-	34
Office equipments	-	17
Vehicles	53	-
Surplus arisen on re-valuation of property, plant and equipment	-	161,395
	<b>1,403</b>	<b>217,348</b>
Depreciation charged for the quarter/year	<b>(8,969)</b>	<b>(32,220)</b>
Closing book value	<b>817,840</b>	<b>825,406</b>

## 5. TRANSACTIONS WITH ASSOCIATED COMPANIES

a) Aggregate transactions during the quarter/year with the Associated Companies were as follows:

	<b>Un-audited Quarter ended 30 September, 2007</b>	<b>Audited Year ended 30 June, 2007</b>
	<b>Rupees in thousand</b>	
Long term loans received from related parties	<b>12,000</b>	13,400
Sale of goods and services	<b>28</b>	320
Purchase of goods and services	<b>4,201</b>	4,554
Residential rent:		
- paid	<b>33</b>	132
- received	<b>0</b>	5
Insurance claim received	<b>0</b>	15,658
Mark-up earned	<b>36</b>	148
Mark-up accrued	<b>173</b>	843

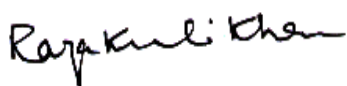
b) Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

## 6. DATE OF AUTHORIZATION FOR ISSUE

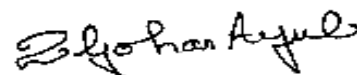
These financial statements were authorized for issue on 28 October, 2007 by the Board of Directors of the Company.

## 7. FIGURES

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.



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



**ZEB GOHAR AYUB**  
**DIRECTOR**