

**BABRI COTTON MILLS LIMITED
FINANCIAL STATEMENTS FOR THE
SECOND QUARTER & HALF YEAR
ENDED 31-12-2008**

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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, 2008 (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:

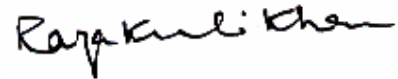
	<u>Quarter ended</u>		<u>Half-year ended</u>	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
	Rs. in million	Rs. in million	Rs. in million	Rs. in million
Sales – Net	183.321	172.838	388.331	376.800
Gross Profit	19.261	11.662	47.338	24.146
Operating Profit	12.957	4.995	35.677	11.692
Loss Before Taxation	(18.741)	(5.109)	(21.212)	(15.933)
Loss For The Period	(11.473)	(2.091)	(13.141)	(10.566)
Loss Per Share- Rs.	(3.96)	(0.72)	(4.54)	(3.65)

High cost of doing business in Pakistan, power and gas load shedding in addition to frequent and unplanned break downs in their supply, law and order situation and other related factors had already placed severe strain on profitability of Pakistani spinning units in the past few years. Since the second quarter of 2008-2009, financial turmoil in major world economies has further aggravated this crisis as demand for textile products has receded dramatically. During these hard times of financial turmoil mark-up rate on bank finances has been further increased in Pakistan, contrary to world wide policy of reduction in mark-up rates. In addition position of supply of gas/electricity to the industry has deteriorated resulting in unplanned shut down of industry for major periods. Furthermore, despite drastic reduction in oil prices world over the prices of diesel, gas and electricity in Pakistan have not been reduced at all. In fact we have seen increase in utility prices. In view of these tough conditions it has become impossible for textile industry of Pakistan to operate profitably and honor its commitments with the financial institutions in accordance with the original agreements. Future of Pakistani textile industry which contributes around 8.5% to GDP, employs 38% of the manufacturing labor force and contributes 57% of total merchandise exports looks bleak.

The performance of your company in the first quarter of 2008-2009 had improved considerably but due to reasons narrated above loss before taxation for the second quarter has increased against comparative quarter. Sale prices of yarn did improve in the current half year but failed to keep pace with the inflation rate. There was major increase in manufacturing expenses as average price of natural gas consumed was higher by 36% compared to the corresponding half-year, average price of electricity was higher by 31% compared to the corresponding half-year

and overall inflation during this period was above 20%. Further, finance cost as a percentage of sales was 13.58% during the current half year as against 7.63% for the previous half year. Had finance cost remained at previous level of 7.63% of sales, financial charges would have been lower by Rs. 23.11 million which would have enabled the company to meet its financial commitments. In the current circumstances your company will not be able to honor its commitments in accordance with the original agreements executed with the banks and will have to renegotiate terms and conditions of various finance facilities. On a positive note your company is well placed with in the textile spinning industry of Pakistan as it is carrying only negligible finished goods inventory, it is selling its goods against advance payment therefore it has negligible trade debtors, it has advantage of cheap carry over inventory of some of the raw materials and it has low spindle cost compared to the industry level.

For & on behalf of the board of directors,



RAZA KULI KHAN KHATTAK
Chairman/Chief Executive

Dated: 28th February, 2009

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER, 2008

	Un-audited 31 Dec., 2008	Audited 30 Jun., 2008		Un-audited 31 Dec., 2008	Audited 30 Jun., 2008	
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	781,800	794,266
Issued, subscribed and paid-up capital	28,960	28,960	Stores held for capital expenditure		2,050	3,255
Reserves	110,979	111,165	Investment in an Associated Company	8	18,783	22,292
Accumulated loss	(54,386)	(44,485)	Advances to employees		1,018	599
	<u>85,553</u>	<u>95,640</u>	Security deposits		904	904
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	215,735	218,339			<u>804,555</u>	<u>821,316</u>
NON-CURRENT LIABILITIES			CURRENT ASSETS			
Demand finance	186,214	201,732	Stores, spares and loose tools		10,788	6,683
Liabilities against assets subject to finance lease	64,490	75,917	Stock-in-trade		364,379	332,374
Staff retirement benefits-gratuity	21,774	25,028	Trade debts		8	0
Deferred taxation	30,686	38,757	Advances to employees		1,704	1,615
	<u>303,164</u>	<u>341,434</u>	Advance payments		187	197
CURRENT LIABILITIES			Trade deposits and prepayments		2,866	577
Current portion of - demand finance	31,036	15,518	Sales tax refundable		5,718	5,504
- liabilities against assets subject to finance lease	21,798	10,581	Other receivables		3,186	3,030
Short term finances	458,830	417,328	Income tax refundable, advance tax and tax deducted at source		707	3,267
Trade and other payables	57,316	56,408	Cash and bank balances		6,606	5,473
Accrued interest / mark-up	27,272	21,089			<u>396,149</u>	<u>358,720</u>
Taxation	0	3,699				
	<u>596,252</u>	<u>524,623</u>				
CONTINGENCIES AND COMMITMENTS						
	6					
	<u>1,200,704</u>	<u>1,180,036</u>			<u>1,200,704</u>	<u>1,180,036</u>

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

Rajkumar Khan

[Signature]

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)

	For the 2nd Quarter		Cumulative	
	Oct. - Dec. 2008	Oct. - Dec. 2007	July - Dec. 2008	July - Dec. 2007
----- (Rupees in thousand) -----				
Sales	183,321	172,838	388,331	376,800
Cost of sales	164,060	161,176	340,993	352,654
Gross profit	19,261	11,662	47,338	24,146
Administrative and distribution expenses	6,419	7,076	12,349	13,296
Other operating expenses	7	104	15	112
	6,426	7,180	12,364	13,408
	12,835	4,482	34,974	10,738
Other operating income	122	513	703	954
Operating profit	12,957	4,995	35,677	11,692
Finance cost (net of mark-up subsidy)	27,552	11,230	52,743	28,751
	(14,595)	(6,235)	(17,066)	(17,059)
Share of (loss) / profit of an Associated Company (note 8)	(4,146)	1,126	(4,146)	1,126
Loss before taxation	(18,741)	(5,109)	(21,212)	(15,933)
Taxation				
- current	-	863	-	1,883
- deferred	(7,268)	(3,881)	(8,071)	(7,250)
	(7,268)	(3,018)	(8,071)	(5,367)
Loss for the period	(11,473)	(2,091)	(13,141)	(10,566)
	----- Rupees -----			
Loss per share	(3.96)	(0.72)	(4.54)	(3.65)

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

Appropriations have been reflected in the statement of changes in equity.


CHIEF EXECUTIVE



DIRECTOR

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)

	Half year ended	
	31 Dec., 2008	31 Dec., 2007
	(Rupees in thousand)	
Cash flow from operating activities		
Loss for the period - before taxation and share of (loss) / profit of an Associated Company	(17,066)	(17,059)
Adjustments for non cash charges and other items:		
Depreciation	17,187	17,954
Gain on sale of operating fixed assets-net	(13)	(16)
Amortisation of gain on forward foreign exchange contracts	(186)	(207)
Staff retirement benefits - gratuity (net)	(3,254)	(563)
Finance cost	52,599	28,751
Cash flow from operating activities - before working capital changes	49,267	28,860
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(4,105)	(3,018)
Stock-in-trade	(32,005)	(33,066)
Trade debts	(8)	(2,020)
Advances to employees	(89)	(330)
Advance payments	10	(518)
Trade deposits and short term prepayments	(2,289)	(1,302)
Sales tax refundable	(214)	(790)
Due from an Associated Company	-	893
Other receivables	(156)	(3,370)
Increase in trade and other payables	908	19,997
	(37,948)	(23,524)
Cash inflow from operating activities - before taxation	11,319	5,336
Taxes paid	(1,139)	(1,743)
Cash Inflow from operating activities - after taxation	10,180	3,593
Net increase in loans to employees	(419)	(385)
Net cash inflow from operating activities	9,761	3,208
Cash flow from investing activities		
Fixed capital expenditure	(3,799)	(1,746)
Sale proceeds of operating fixed assets	295	34
Security deposits	-	(215)
Net cash outflow from investing activities	(3,504)	(1,927)
Cash flow from financing activities		
Shares deposits money	-	9,000
Lease finances - net	(210)	(185)
Short term finances - net	41,502	42,846
Finance cost paid	(46,416)	(51,000)
Net cash (outflow) / inflow from financing activities	(5,124)	661
Net increase in cash and cash equivalents	1,133	1,942
Cash and cash equivalents - at the beginning of the period	5,473	555
Cash and cash equivalents - at the end of the period	6,606	2,497

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

P. K. Khan

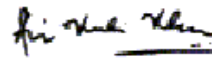
P. K. Khan

BABRI COTTON MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (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, 2007	20,000	6,000	88,000	4,138	98,138	(21,905)	96,233
Loss for half-year ended 31 December, 2007	-	-	-	-	-	(10,566)	(10,566)
Amortisation of gain on forward foreign exchange contracts	-	-	-	(207)	(207)	-	(207)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred taxation	-	-	-	-	-	2,725	2,725
Effect of items directly credited in equity by an Associated Company	-	-	-	-	-	595	595
Balance as at 31 December, 2007	20,000	6,000	88,000	3,931	97,931	(29,151)	88,780
Loss for half-year ended 30 June, 2008	-	-	-	-	-	(19,360)	(19,360)
Nominal value of ordinary shares issued	8,960	-	-	-	-	-	8,960
Premium on issue of ordinary shares	-	13,440	-	-	13,440	-	13,440
Amortisation of gain on forward foreign exchange contracts	-	-	-	(206)	(206)	-	(206)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred taxation	-	-	-	-	-	2,724	2,724
Effect of items directly credited in equity by an Associated Company	-	-	-	-	-	1,302	1,302
Balance as at 30 June, 2008	28,960	19,440	88,000	3,725	111,165	(44,485)	95,640
Loss for half year ended 31 December, 2008	-	-	-	-	-	(13,141)	(13,141)
Amortisation of gain on forward foreign exchange contracts	-	-	-	(186)	(186)	-	(186)
Transfer from surplus on revaluation of property, plant and equipment on account of:							
-incremental depreciation - net of deferred taxation	-	-	-	-	-	2,588	2,588
- realised on disposal of plant and machinery-net of deferred taxation	-	-	-	-	-	15	15
Effect of items directly credited in equity by an Associated Company	-	-	-	-	-	637	637
Balance as at 31 December, 2008	28,960	19,440	88,000	3,539	110,979	(54,386)	85,553

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


CHIEF EXECUTIVE


DIRECTOR

BABRI COTTON MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)

1. 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. This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The 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. The 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, 2008.
4. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding published annual financial statements of the Company for the year ended 30 June, 2008.
5. The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 30 June, 2008.

6. CONTINGENCIES AND COMMITMENTS

6.1 Counter guarantee given by the Company to a commercial bank outstanding as at 31 December, 2008 was for Rs.15.300 million (30 June, 2008: Rs.15.300 million).

6.2 Commitments for capital expenditure as at 31 December, 2008 was Rs. 2.90 million (30 June, 2008: Rs.2.90 million)

7. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 31 Dec., 2008	Audited 30 June, 2008
	Note	(Rupees in thousand)
Operating fixed assets	7.1	781,095
Capital work-in-progress - at cost		794,266
		705
		781,800
7.1 Operating fixed assets		794,266
Opening book value		825,406
Additions during the period / year:		
- plant and machinery		1,330
- generators		2,856
- tools and equipment		11
- vehicles		102
		4,299
Book value of assets disposed-off during the period / year		(283)
Depreciation charge for the period / year		(17,187)
Closing book value		794,266

8. INVESTMENT IN AN ASSOCIATED COMPANY - Quoted

	Un-audited 31 Dec., 2008	Audited 30 June, 2008
	(Rupees in thousand)	
Janana De Malucho Textile Mills Ltd. (JDM)		
341,000 shares of Rs.10 each - cost	4,030	4,030
Equity held: 10.77% (30 June, 2008:10.77%)		
Post acquisition profit brought forward including effect of items directly credited in equity by an Associated Company	18,899	17,697
(Loss) / profit for the period / year - net of taxation	(4,146)	565
	18,783	<u>22,292</u>

Fair value of investments in JDM as at 31 December, 2008 was Rs.24.944 million (30 June, 2008: Rs.24.552 million).

9. TRANSACTIONS WITH ASSOCIATED COMPANIES AND A RELATED PERSON

- a) Mark-up has been accrued / earned at the average borrowing rates ranging from 15.38% to 16.49% (30 June, 2008: 11.09% to 11.89%) per annum calculated on daily product basis on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Ltd., which have arisen on account of insurance premium payable.

- b) Aggregate transactions made during the period / year with Associated Companies were as follows:

Long term loan adjusted	0	(13,400)
Sale of raw materials and yarn	90	177
Purchase of goods and services	5,782	5,596
Residential rent:		
- paid	66	132
- received	0	5
Insurance claims received	0	34
Mark-up earned	0	35
Mark-up accrued	594	968

- In addition to above mark-up free advances aggregating Rs.2.690 million have been repaid to the Chief Executive during the current financial period.

10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 28 February, 2009.

11. FIGURES

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures, except for the restatement of earnings per share due to issuance of right shares during the financial year ended 30 June, 2008, have neither been re-arranged nor re-classified.


CHIEF EXECUTIVE


DIRECTOR