

*Quarterly
Accounts
September
2010*



**Janana De Malucho Textile
Mills Limited**

JANANA DE MALUCHO TEXTILE MILLS LIMITED

COMPANY'S PROFILE

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK Chairman LT. GEN. (RETD.) ALI KULI KHAN KHATTAK Chief Executive MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA MRS. ZEB GOHAR AYUB MRS. SHAHNAZ SAJJAD AHMAD DR. SHAHEEN KULI KHAN	
AUDIT COMMITTEE	MR. RAZA KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. MUSHTAQ AHMAD KHAN, FCA	Chairman Member Member
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Gen. Manager Finance, Commercial & Corporate Affairs	
AUDITORS	M/S HAMEED CHAUDHRI & CO. Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED	
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI	
REGISTERED OFFICE & MILLS	HABIBABAD, KOHAT (N.W.F.P) TEL. 0922 - 510063 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk janana_textile@hotmail.com WEB SITE: www.jdm.com.pk	

JANANA DE MALUCHO TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010

On behalf of the Board of Directors, I feel pleasure in presenting the unaudited financial statements of the company for the quarter ended 30th September 2010.

1. FINANCIAL HIGHLIGHTS

During the first quarter of the year, your Company has shown an improvement despite the challenges facing the industry. The Gross Profit earned was Rs. 79.525 Million (Gross Profit Margin: 17.29 %) as compared to the Gross Profit of Rs. 25.672 Million for the corresponding Quarter of last year (Gross Profit Margin: 9.97 %). Turnover increased by Rs. 197.258 Million from Rs. 257.547 Million to Rs. 459.831 Million as compared to the corresponding Quarter of the last year which was mainly due to increase in sales rates by about 59.07% as compared to the sales rates of the last year. The improvement in turnover indicates that the Company was able to maintain sales despite the difficult operational environments in the shape of unprecedented increase in the prices of raw material which has registering an increase of 115% as compared to the corresponding period of last year and increased cost of utilities. The primary reasons which helped in the improvement of the operating results of the Company were:

- 1) An improvement in the global economic environment that has brought an element of stability in the textile markets, resulting in gradual increase demand for yarn and other intermediary raw materials, value added garments, towels & bed linen.

- 2) The downward trend in KIBOR.

These factors contributed towards improvement in the Company's operations and improved the Operating Profit to Rs. 69.128 Million as compared to Rs. 17.081 Million for the corresponding period of the last year. We have not made provisions for Workers Profit Participation Fund, Workers Welfare Fund and donation to Waqf-e-Kuli Khan Trust in these quarterly accounts because the correct calculation for these heads of accounts would depend on the audited financial statements of the company at the end of the year. Has the company made these provisions after tax profit of the company in these quarterly accounts would have been reduced to the extent of Rs. 6.910 million.

However, until the domestic operating environment stabilizes, the benefits of any recovery will be limited. Operational challenges include the deteriorating domestic security environments, power shortages and the continuing volatility of the Rupee in foreign exchange markets coupled with unprecedented / volatile increase in the raw material cost having no correlation with the increase in yarn prices.

The Federal Government, subsequent to the balance sheet date, has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA/ PATA/ Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, has applied to avail mark-up rate differential on business loans comprising of demand finances and short term finances outstanding as at 31 December, 2009. The Company's claims aggregating to Rs.28.697 million have been processed & approved by National Bank of Pakistan, which has been credited to the account of finance cost.

JANANA DE MALUCHO TEXTILE MILLS LIMITED

2. GENERAL MARKET CONDITIONS

The textile market conditions are showing signs of stability with emerging prospects of a recovery. However the fallout from the Global War on Terror continues to impact industries operating in KPK Province. The negative effects of this uncertainty in law and order will be a major obstacle to the smooth operations of industries in the area. The continued tightening of liquidity as well as interruptions in the supply of electricity coupled with extremely high prices of cotton (local/imported) /other raw material are additional factors, which may adversely impact the textile manufacturing industry to a great extent.

3. FUTURE OUTLOOK

The Management is determined to improve your Company's efficiency and profit margins in spite of the challenges being faced. These challenges include possible power shortages, increasing input costs and the security environment in KPK Province. Your Company's Management is aware of the challenges that are ahead and will be making all out efforts to ensure continued growth, operational efficiency and optimal results for the Company for its valued shareholders in the days to come.

4. ACKNOWLEDGMENT

The Board places on record its appreciation for the support of our bankers and our valued customers. We would also like to highlight the hard work and diligence of the Company's employees. We look forward to the same dedication and cooperation from them in the year ahead.

Dated: October 30, 2010

For & on behalf of the Board of Directors




(Raza Kuli Khan Khattak)
Chairman

JANANA DE MALUCHO TEXTILE MILLS LIMITED
BALANCE SHEET AS AT 30 SEPTEMBER, 2010

	Un-Audited 30 September 2010	Audited 30 June 2010		Un-Audited 30 September 2010	Audited 30 June 2010
	Rupees in thousand			Rupees in thousand	
EQUITY AND LIABILITIES			NON-CURRENT ASSETS		
SHARE CAPITAL AND RESERVES			Property, plant and equipment		
Authorised capital	200,000	200,000	Operating fixed assets	1,916,103	1,929,393
Issued, subscribed and paid-up capital	43,063	43,063	Capital work-in-progress	2,667	0
Reserves	139,625	139,625		1,918,770	1,929,393
Accumulated profit	147,314	80,649	Investments in Associated Companies	52,228	52,228
	330,002	263,337	Loans to employees	1,276	1,398
FROZEN MARK-UP ON DEMAND FINANCES	75,790	75,790	Security deposits	1,029	1,029
				1,973,303	1,984,048
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	1,025,145	1,028,438	CURRENT ASSETS		
			Stores, spares and loose tools	31,132	25,049
NON-CURRENT LIABILITIES			Stock-in-trade	326,614	364,761
Demand finances	259,650	285,438	Trade debts - unsecured considered good	3,204	12,082
Staff retirement benefits-gratuity	18,566	17,569	Advances to employees	1,565	1,111
Deferred taxation	214,474	214,474	Advance payments	22,186	15,672
	492,690	517,481	Trade deposits and prepayments	8,540	326
CURRENT LIABILITIES			Sales tax refundable	11,149	9,419
Current portion of: - demand finances	62,511	40,901	Due from Associated Companies	0	9,439
Short term finances	295,579	388,972	Income tax refundable, advance tax and tax deducted at source	19,811	17,205
Trade and other payables	118,407	102,538	Cash and bank balances	38,211	5,850
Accrued mark-up/interest	22,465	18,986		462,412	460,914
Taxation	11,891	7,285			
Preference shares redemption account	1,235	1,234			
	512,088	559,916			
Contingencies & Commitments					
	2,435,715	2,444,962		2,435,715	2,444,962

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

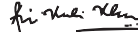

 Lt. Gen (Retd)
 Ali Kuli Khan Khattak
 Chief Executive


 Ahmad Kuli Khan Khattak
 Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER, 2010

	Un-Audited 30 September 2010	Un-Audited 30 September 2009
	(Rupees in thousand)	
SALES	459,831	257,547
COST OF SALES	380,306	231,876
GROSS PROFIT	79,525	25,671
DISTRIBUTION COST	2,432	1,108
ADMINISTRATIVE EXPENSES	7,958	7,475
OTHER OPERATING EXPENSES	6,917	7
	17,307	8,590
OPERATING PROFIT	62,218	17,081
OTHER INCOME	1,296	1,722
	63,514	18,803
FINANCE COST	(4,464)	30,566
PROFIT/(LOSS) BEFORE TAXATION	67,978	(11,763)
TAXATION		
- Current	4,606	1,288
- Deferred	0	(2,467)
	4,606	(1,179)
PROFIT/(LOSS) AFTER TAXATION	63,372	(10,584)
	— Rupees —	
PROFIT/(LOSS) PER SHARE	15.25	(3.34)

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



 Lt. Gen (Retd)
 Ali Kuli Khan Khattak
 Chief Executive


 Ahmad Kuli Khan Khattak
 Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER, 2010

	2010	2009
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year - before taxation	67,978	(11,763)
Adjustments for non-cash charges and other items:		
Depreciation	14,840	13,005
Staff retirement benefits - gratuity (net)	997	1,649
Finance cost (duly adjusted as per note No. 15)	(5,045)	30,362
Workers' welfare fund	1,423	0
CASH FLOW FROM OPERATING ACTIVITIES Before working capital changes	80,193	33,253
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(6,083)	(2,488)
Stock-in-trade	38,147	131,023
Trade debts	8,878	7,075
Advances to employees	(332)	(182)
Advance payments	(6,514)	(3,929)
Trade deposits and prepayments	(8,214)	(13,163)
Sales tax refundable	(1,730)	311
Due from Associated Companies	9,439	(2,515)
Decrease in trade and other payables	15,869	(25,027)
	49,460	91,105
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	129,653	124,358
Taxes paid	(4,029)	(2,103)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	125,624	122,255
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4,217)	(4,097)
Security deposits	0	(25)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,217)	(4,122)
CASH FLOW FROM FINANCING ACTIVITIES		
Demand finances - net	(4,178)	(4,178)
Short term finances - net	(93,393)	(102,611)
Finance cost favourable	8,524	(1,546)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(89,046)	(108,335)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	32,361	9,798
CASH AND CASH EQUIVALENTS - At the beginning of the period	5,850	3,177
CASH AND CASH EQUIVALENTS - At the end of the period	38,211	12,975

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

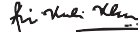

 Lt. Gen (Retd)
 Ali Kuli Khan Khattak
 Chief Executive


 Ahmad Kuli Khan Khattak
 Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010

	RESERVES						Unappropriated profit / (Accumulated loss)/	Total
	Share capital	Capital redemption reserve	Tax holiday reserve	Share Premium Reserve	General reserve	Sub-total		
	Rupees in thousands							
Balance as at 30 June 2009	31,655	6,694	350	0	121,171	128,215	(51,594)	108,276
Total profit for the year ended 30 June 2010	0	0	0	0	0	0	116,642	116,642
Nominal value of ordinary of Rs.10 each issued as other than right @ Rs.20 per share	11,409	0	0	11,409	0	11,409	0	22,818
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation net of deferred tax.	0	0	0	0	0	0	10,024	10,024
- realised on disposal of revalued fixed assets (net of deferred taxation)	0	0	0	0	0	0	7,245	7,245
Effect of items directly credited in other comprehensive income by the Associated Companies	0	0	0	0	0	0	(1,668)	(1,668)
Balance as at 30 June 2010	43,064	6,694	350	11,409	121,171	139,624	80,649	263,337
Total profit for the first quarter ended 30 September 2010	0	0	0	0	0	0	63,372	63,372
Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation net of deferred tax.	0	0	0	0	0	0	3,293	3,293
Balance as at 30 September 2010	43,064	6,694	350	11,409	121,171	139,624	147,314	330,002

- The annexed notes form an integral part of these financial statements


 Lt. Gen (Retd)
 Ali Kuli Khan Khattak
 Chief Executive


 Ahmad Kuli Khan Khattak
 Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER, 2010

1. CORPORATE INFORMATION

Janana De Malucho Textile Mills Limited (the company) was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in manufacture and sale of yarn. The Company's mills and its registered office are located at Habibabad, Kohat.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

3. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

3.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current accounting year

The following standards, interpretations and amendments have been published that are mandatory and relevant for the Company's accounting year beginning on 01 July, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The Securities & Exchange Commission of Pakistan (SECP), vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7 which is mandatory for the Company's accounting periods beginning on or after the date of notification i.e. 28 April, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial information.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 July, 2008 which, are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial information.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 January, 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 this financial information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of this financial information is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.2 Borrowings and borrowing costs

All borrowing are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

5. FROZEN MARK-UP ON DEMAND FINANCES

This represents mark-up accrued on demand finances pertaining to the period from 01 October, 2008 to 30 June, 2010. The bank has rescheduled the facility and has converted into Term Finance Certificates vide its letter No.CIBG/ISD/308/2010 dated September 03, 2010.

JANANA DE MALUCHO TEXTILE MILLS LIMITED

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	30 September 2010	30 June 2010
Note	Rupees in thousand	
Opening balance	1,028,438	661,613
Add:		
Surplus realized on revaluation of fixed assets	0	384,093
	<u>1,028,438</u>	<u>1,045,706</u>
Less:		
transferred to unappropriated profit on account of:		
- incremental depreciation for the year - net of deferred taxation	(3,293)	(10,024)
- realized on disposal of plant & machinery - net of deferred taxation	0	(7,244)
	<u>(3,293)</u>	<u>(17,268)</u>
Closing balance	<u>1,025,145</u>	<u>1,028,438</u>

7. DEMAND FINANCES - Secured

Demand Finance I (DF I)	201,930	201,930
Demand Finance III (DF III)	7,177	7,177
Demand Finance IV (DF IV)	27,500	27,500
Demand Finance V (DF V)	69,818	69,818
Rescheduled Demand Finance I (RDF I)	7.3 8,003	9,603
Rescheduled Demand Finance III (RDF III)	7.3 7,733	10,311
	<u>322,161</u>	<u>326,339</u>
Less: current portion grouped under current liabilities	62,511	40,901
	<u>259,650</u>	<u>285,438</u>

7.1 These finances have been obtained from National Bank of Pakistan (NBP) against various demand finance facilities aggregating Rs.451 million (2009: Rs.451 million) and are secured against first charge on fixed assets of the Company for Rs.1,099 million.

7.2 As per the revised repayment terms communicated by NBP vide its letter Ref. # CIBG/ISD/308/2010 dated 03 September, 2010:

- (a) DF I is repayable in 10 equal half-yearly installments commencing January, 2011.
- (b) DF III is repayable in 2 equal half-yearly installments commencing January 2011.
- (c) DF IV is repayable in 06 equal half-yearly installments commencing January, 2011.
- (d) DF V is repayable in 12 equal half-yearly installments commencing January, 2011.

7.3 NBP, vide its letter Ref. # KT / MBR / FIN / 07 dated 12 January, 2007, has sanctioned for release of finance facilities under the State Bank of Pakistan's Scheme for export oriented projects. Accordingly, DF I balance amounting Rs.32.010 million and DF III balance amounting Rs.46.401 million have been converted into RDF I and RDF III with effect from 01 January, 2007. RDF I is repayable in 20 equal quarterly installments commenced from March, 2007 whereas RDF III is repayable in 18 equal quarterly installments commenced from March, 2007.

8. CONTINGENCIES AND COMMITMENTS

There has been no significant change in the status of contingencies as reported in the preceding published annual financial statements of the Company for the year ended 30 June 2010.

JANANA DE MALUCHO TEXTILE MILLS LIMITED

9. OPERATING FIXED ASSETS - Tangible

30 September 30 June
2010 2010
Rupees in thousand
1,929,393 1,497,608

Opening book value:-

Addition during the period

Land	0	283,455
Factory building	0	23,943
Residential Officers	0	3,485
Residential Workers	0	467
Plant and machinery	0	41,518
Generators	0	14,349
Furniture & Fixture	150	652
Office and other equipment	0	269
Vehicles	1,400	0
Arms	0	13
	1,550	368,151
Book value of assets disposed off during the period/year	0	(31,581)
Depreciation on assets disposed off during the period/year	0	17,606
depreciation charge for the period/year	(14,840)	(53,561)
Elimination against gross carrying amount	0	131,170
Closing book value	1,916,103	1,929,393

10. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

Babri Cotton Mills Ltd. (BCM)

510,864 (2009: 510,864) ordinary shares of Rs.10 each - cost

Post acquisition profit brought forward including effect of items directly credited in equity by BCM

Profit for the period/year - net of taxation

	10,973	10,973
	(5,489)	(5,489)
	15,971	15,971
	21,455	21,455

Bannu Woollen Mills Ltd. (BWM)

870,292 (2009: 585,301) ordinary shares of Rs.10 each including 285,146 (2009: 285,146) bonus shares - cost

Post acquisition profit brought forward including effect of items directly credited in equity by BWM

Profit for the period/year - net of taxation

	7,697	7,697
	17,549	17,549
	5,527	5,527
	30,773	30,773
	52,228	52,228

11. TRADE DEPOSITS AND PREPAYMENTS

Letters of credit

Prepayments

	2,685	208
	5,855	118
	8,540	326

12. DUE FROM ASSOCIATED COMPANIES

12.1 Due on account of normal trading transactions:

Rahman Cotton Mills Limited

Babri Cotton Mills Limited

Universal Insurance Company Limited

	(14,987)	18,806
	(5,065)	6,283
	0	273
	(20,052)	25,362

12.2 Due on account of fund transfers and other transactions:

Rahman Cotton Mills Limited:

- mark-up

- fund transfers

	0	3,716
	14,987	(14,987)
	14,987	(11,271)

Babri Cotton Mills Limited:

- mark-up

- fund transfers

	0	407
	5,065	(5,059)
	5,065	(4,652)
	0	9,439

JANANA DE MALUCHO TEXTILE MILLS LIMITED

13. OTHER OPERATING EXPENSES

Donations (without directors' interest)

Workers (Profit) Participation Fund

Workers' Welfare Fund

Donation to Waqf-e-Kuli Khan (Trust)

30 September 30 September
2010 2009
Rupees in thousand

	7	7
	3,744	0
	1,423	0
	1,743	0
	6,917	7

14. OTHER OPERATING INCOME

Income from financial assets

Mark-up earned on Associated Companies' balances

Return on bank deposits

Income from non-financial assets

Sale of Trees / scrap

Quarters' rent

Unclaimed balances written back

	62	806
	4	4
	849	879
	0	33
	381	0
	1,296	1,722

15. FINANCE COST

Mark-up on:

Demand Finances

Short Term Finances

Associate companies' balance

Workers (Profit) Participation Fund

Bank charges

	11,334	11,929
	11,969	18,228
	349	204
	358	54
	223	150
	24,233	30,565

Less: Fiscal relief on markup

Demand Finances

Short Term Finances

	9,373	0
	19,324	0
	28,697	0
	(4,464)	30,565

16. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

Aggregate transactions during the year with the Associated Companies were as follows:

Sale of goods and services

Purchase of goods and services

Residential rent:

- received

Mark-up:

- earned

- expensed

Management charges:

- paid

- received

	0	907
	7,636	7,212
	0	33
	61	806
	0	204
	0	366
	0	1,790


17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2010 by the Board of Directors of the Company.

JANANA DE MALUCHO TEXTILE MILLS LIMITED

18. FIGURES

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



Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive



Ahmad Kuli Khan Khattak
Director

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