

**JANANA DE MALUCHO TEXTILE MILLS LIMITED
FIRST QUARTERLY UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-09-2011**

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 Sr. Gen. Manager Finance & Corporate Affairs	
INTERNAL AUDITOR	MR. ABID RAZA	
AUDITORS	M/S HAMEED CHAUDHRI & CO. Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED	
LEGAL ADVISOR	M/S. HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE	
TAX CONSULTANTS	M. NAWAZ KHAN & CO. GROUND FLOOR, FARRAH CENTRE, 2-MOZZANG ROAD, LAHORE	
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI TEL 021-35375127-29 FAX NO. 021-35820325 EMAIL registrationservices@live.co.uk	
REGISTERED OFFICE & MILLS	HABIBABAD, KOHAT (KPK) 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 2011

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 2011.

1. FINANCIAL HIGHLIGHTS

During the first quarter of the year, your Company has shown reasonably good results despite the challenges being faced by the industry in KPK province. The Gross Profit earned was Rs. 53.780 Million as compared to the Gross Profit of Rs. 79.525 Million for the corresponding Quarter of last year. Turnover increased by Rs. 99.620 Million from Rs. 459.831 Million to Rs. 559.451 Million as compared to the corresponding Quarter of the last year which was mainly due to increase in sale rates by about 13% as compared to the sale rates of the last year. The improvement in turnover indicates that the Company was able to maintain sales despite the difficult operational environments & constant increase in cost of utilities & other inputs.

Due to these factors the Operating Profit decreased to Rs. 36.515 Million as compared to Rs. 63.513 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.

However, we have to report that till such time the domestic operating environment does not stabilize, the benefits of any recovery will be limited. Operational challenges include the deteriorated KPK province security environments, power & gas shortages, coupled with the unprecedented increase in power & gas rates. The continuing volatility of the Rupee in foreign exchange markets coupled with volatile fluctuation in the raw material costs having no correlation to the decrease in yarn prices are the main eroding factors of profit.

2. GENERAL MARKET CONDITIONS

Global recession is also effecting the yarn markets due to cancellation of export orders of airjrt looms on account of unprecedented outage of gas & electricity in the history of Pakistan & that too without any cogent reasons. The flash floods in Sindh, unprecedented rains in the country, law & order situation at Karachi, and due to instability in the international cotton & yarn markets may negatively affect the results of the company. Early arrival of cotton in Punjab played a vital role but the flash floods in Sindh has almost destroyed the entire crop of the province & it has resulted into increase in local cotton prices. On the other hand there are expectations that there will be a bumper crop of local cotton in 2011-2012 which may improve the next quarter results.

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, massive gas outages, 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 of 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.

For and on behalf of the Board

Dated: October 31, 2011

RAZA KULI KHAN KHATTAK
Chairman

JANANA DE MALUCHO TEXTILE MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER, 2011

	30 September 2011 Un-audited Note	30 June 2011 Audited		30 September 2011 Un-audited Note	30 June 2011 Audited
	Rupees in thousand			Rupees in thousand	
Equity and Liabilities			Assets		
Share Capital and Reserves			Non-current Assets		
Authorised capital	<u>200,000</u>	<u>200,000</u>	Property, plant and equipment	7	1,924,261
Issued, subscribed and paid-up capital	47,848	47,848	Investments in Associated Companies		85,196
Reserves	217,673	217,673	Loans to employees		1,405
Unappropriated profit	193,754	172,310	Security deposits		1,029
	<u>459,275</u>	<u>437,831</u>		<u>2,011,891</u>	<u>2,023,790</u>
Term Finance Certificates	63,725	63,725	Current Assets		
Surplus on Revaluation of Property, Plant and Equipment	1,010,930	1,014,043	Stores, spares and loose tools		40,319
Non-current Liabilities			Stock-in-trade		260,413
Demand finances	5	257,332	Trade debts - unsecured considered good		28,341
Staff retirement benefits - gratuity		34,403	Advances to employees		1,523
Deferred taxation		146,295	Advance payments		13,064
		<u>419,142</u>	Trade deposits and prepayments	8	32,615
Current Liabilities			Mark-up subsidy receivable		12,129
Current portion of long term liabilities		63,126	Other receivables		1,181
Short term finances		463,811	Sales tax refundable		22,030
Trade and other payables		184,238	Income tax refundable, advance tax and tax deducted at source		31,942
Accrued mark-up / interest		30,477	Cash and bank balances		15,475
Taxation		28,772		<u>459,032</u>	<u>701,481</u>
Preference shares redemption account		1,218			
		<u>517,851</u>			
Contingencies and Commitments	6	771,642			
		<u>2,470,923</u>		<u>2,470,923</u>	<u>2,725,271</u>

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

Chief Executive

Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER, 2011

	Note	September 30, 2011 2010 Rupees in thousand	
Sales		559,451	459,831
Cost of Sales		505,671	380,306
Gross Profit		53,780	79,525
Distribution Cost		3,774	2,432
Administrative Expenses		13,527	7,958
Other Operating Expenses		1,053	6,917
Other Operating Income		(1,089)	(1,296)
		17,265	16,011
Profit from Operations		36,515	63,514
Finance Cost		12,583	(4,464)
Profit before Taxation		23,932	67,978
Taxation - Current	9	5,602	4,606
Profit after Taxation		18,330	63,372
Other Comprehensive Income		0	0
Total Comprehensive Income		18,330	63,372
		----- Rupees -----	
Earnings per Share		3.83	14.72

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Chief Executive

Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER, 2011

	September 30,	
	2011	2010
	Rupees in thousand	
Cash flow from operating activities		
Profit for the period - before taxation	23,932	67,978
Adjustments for non-cash charges and other items:		
Depreciation	14,252	14,840
Gain on disposal of vehicle	(141)	0
Staff retirement benefits - gratuity (net)	4,335	997
Finance cost	24,314	(5,045)
Profit before working capital changes	66,692	78,770
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(5,915)	(6,083)
Stock-in-trade	247,958	38,147
Trade debts	21,616	8,878
Loans and advances to employees	(301)	(332)
Advance payments	(3,238)	(6,514)
Trade deposits and prepayments	(32,125)	(8,214)
Mark-up subsidy receivable	18,766	0
Due from Associated Companies	0	9,439
Other receivables	20	0
Sales tax refundable	(7,662)	(1,730)
(Decrease) / increase in trade and other payables	(59,063)	17,292
	180,056	50,883
Cash generated from operations	246,748	129,653
Taxes paid	(2,617)	(4,029)
Net cash generated from operating activities	244,131	125,624
Cash flow from investing activities		
Fixed capital expenditure	(3,383)	(4,217)
Insurance claim of vehicle	1,400	0
Net cash used in investing activities	(1,983)	(4,217)
Cash flow from financing activities		
Demand finances	(26,020)	(4,178)
Short term finances - net	(191,091)	(93,393)
Finance cost paid	(30,755)	8,525
Net cash used in financing activities	(247,866)	(89,046)
Net (decrease) / increase in cash and cash equivalents	(5,718)	32,361
Cash and cash equivalents - at beginning of the period	21,193	5,850
Cash and cash equivalents - at end of the period	15,475	38,211

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Chief Executive

Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER, 2011

	Reserves						(Accumulated loss) / unappropriated profit	Total
	Share capital	Capital			Revenue	Sub-total		
		Capital redemption	Tax holiday	Share premium	General			
----- Rupees in thousand -----								
Balance as at 30 June, 2010 (Audited)	43,064	6,694	350	11,409	121,171	139,624	80,649	263,337
Total comprehensive income for the three months period ended 30 September, 2010	0	0	0	0	0	0	63,372	63,372
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of incremental depreciation	0	0	0	0	0	0	3,293	3,293
Balance as at 30 September, 2010 (Un-audited)	43,064	6,694	350	11,409	121,171	139,624	147,314	330,002
Transfer to general reserve	0	0	0	0	78,049	78,049	(78,049)	0
Transactions with owners								
Nominal value of ordinary shares issued upon extinguishment of long term liabilities	4,784	0	0	0	0	0	0	4,784
Total comprehensive income for the nine months period ended 30 June, 2011	0	0	0	0	0	0	88,676	88,676
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation):								
- on account of incremental depreciation for the period	0	0	0	0	0	0	9,835	9,835
- upon disposal of plant & machinery	0	0	0	0	0	0	1,267	1,267
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	3,267	3,267
Balance as at 30 June, 2011(Audited)	47,848	6,694	350	11,409	199,220	217,673	172,310	437,831
Total comprehensive income for the three months period ended 30 September, 2011	0	0	0	0	0	0	18,330	18,330
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of incremental depreciation	0	0	0	0	0	0	3,114	3,114
Balance as at 30 September, 2011(Un-audited)	47,848	6,694	350	11,409	199,220	217,673	193,754	459,275

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

Chief Executive

Director

JANANA DE MALUCHO TEXTILE MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER, 2011

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. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months period ended 30 September, 2011 is un-audited and is being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 (the Ordinance) and the listing regulations of Karachi stock exchange and has been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34) and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the ordinance. Wherever the requirements of IAS 34 differ from the requirements of the Ordinance or directives issued by the SECP, the Ordinance and the said directives have been followed.

3. This condensed interim financial information does not include all of the information and disclosures required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended 30 June, 2011.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended 30 June 2011, except for the adoption of new accounting policies as referred to in note 4.1.

- 4.1 Following amendment to existing accounting standard become effective for the periods beginning on or after 01 January, 2011 and is relevant to the Company.

IAS 34 (Amendment), 'Interim Financial Reporting' (effective for periods beginning on or after 01 January, 2011). This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment has resulted in an additional disclosure as presented in note 10 to this condensed interim financial information.

- 4.2 The other new standards, amendments to existing approved accounting standards and interpretations are mandatory for the periods beginning on or after 01 July, 2011 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations and thus have not been detailed in this condensed interim financial information.

5. DEMAND FINANCES - Secured

	Un-audited 30 September 2011	Audited 30 June 2011
Note	Rupees in thousand	
Demand Finance I	184,653	199,077
Demand Finance III	5,744	6,940
Demand Finance IV	24,206	26,956
Demand Finance V	62,849	68,668
Rescheduled Demand Finance I	1,601	3,201
	<u>279,053</u>	<u>304,842</u>
Add: Unamortised balance of restructuring cost arisen upon extinguishment of demand finances against issuance of ordinary shares	2,640	2,871
	<u>281,693</u>	<u>307,713</u>
Less: current portion grouped under current liabilities	47,584	50,381
	<u>234,109</u>	<u>257,332</u>

6. CONTINGENCIES AND COMMITMENTS

6.1 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, 2011.

6.2 Commitments for irrevocable letters of credit outstanding as at 30 September, 2011 aggregated Rs. 126.607 million (30 June, 2011: Rs.33.905 million).

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	7.1	1,862,546	1,877,956
Capital work-in-progress			
Plant & machinery - cost and expenses		61,608	58,433
Building - cost		107	0
		<u>61,715</u>	<u>58,433</u>
		<u>1,924,261</u>	<u>1,936,389</u>
7.1 Operating fixed assets - owned			
Book value at beginning of the period / year		1,877,956	1,929,393
Additions during the period / year			
Roads, paths & culverts		20	397
Plant and machinery		0	3,558
Furniture & Fixture		66	918
Office and other equipment		15	75
Vehicles		0	5,996
		<u>101</u>	<u>10,944</u>
Book value of assets disposed off during the period / year		(1,259)	(2,431)
Depreciation charge for the period / year		(14,252)	(59,950)
Book value at end of the period / year		<u>1,862,546</u>	<u>1,877,956</u>

8. TRADE DEPOSITS AND PREPAYMENTS

	Un-audited 30 September 2011	Audited 30 June 2011
	Rupees in thousand	
Letters of credit	25,684	52
Prepayments	6,931	438
	<u>32,615</u>	<u>490</u>

9. TAXATION

Provision for the current period represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

10. FINANCIAL RISK MANAGEMENT

This condensed interim financial information does not include all the financial risk management information and disclosure required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June, 2011. The Company's activities expose it to a variety of financial risks, which are (i) market risk (including foreign currency risk and interest rate risk), (ii) credit risk and (iii) liquidity risk. There has been no material change in Company's sensitivity to these risks since 30 June, 2011, except for the increase of exposure to foreign currency risk, due to increase in raw material imports. There has been no changes in the treasury department and risk management policies of the Company during the period.

11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Associated Companies, companies in which directors are interested, directors, key management personnel and close members of the family of all the aforementioned related parties. The company in the normal course of business carries out transactions with various related parties. Transactions with related parties are executed on same terms as those prevailing at the time for comparable transactions with unrelated parties. There are no transactions with key management personnel other than under the terms of employment. Significant balances and transactions with related parties are as follows:

Balances	Relationship		
Trade and other payables	Related parties	13,538	11,839
Accrued mark-up / interest	Associated undertakings	97	97
			Un-audited
		30 September	30 September
		2011	2010
Transactions	Relationship		
Purchase of raw material / supplies	Associated undertakings	64	6
Insurance premium	Associated undertaking	8,264	7,630
Insurance claim	Associated undertaking	1,400	0
Mark-up earned	Associated undertaking	0	61
Salaries and other employee benefits	Key management personnel	7,214	2,973

12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 31 October, 2011.

13. GENERAL

- 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 and nor re-classified.

Chief Executive

Director