



RESHAM TEXTILE INDUSTRIES LIMITED

CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER:

Ch. Muhammad Khurshid

DIRECTORS:

Ch. Rahman Bakhsh

Mrs. Salma Aziz

Mr. Kamran Ilyas

Mr. Azhar Khurshid Chaudhry

Ms. Kiran A. Chaudhry

Mr. Muhammad Ali Chaudhry

CHIEF FINANCIAL OFFICER:

Mr. Abid Murtaza

COMPANY SECRETARY:

Mr. Abid Murtaza

AUDITORS:

M/s Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Lahore.

REGISTERED OFFICE:

314-Upper Mall, Lahore.

SHARE REGISTRAR:

M/s Corplink (Pvt.) Ltd.

LEGAL ADVISORS:

Mr. Shaukat Haroon (Advocate)

Barrister Salman Rahim (Advocate High Court)

MILLS:

1.5 Kilometer Habibabad,

Chunian Road, Tehsil Chunian,

District Kasur.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the un-audited accounts for the period ended March 31, 2012.

PERFORMANCE REVIEW AND FUTURE PROSPECTS

The period of nine months under review started with very difficult circumstances and the first six months ended December 31, 2011 were not very good in terms of business and profitability. The problems were compounded by large scale disruptions in gas and electricity supplies and also massive floods in the country which resulted in damage to cotton crop in terms of quality and also increase in prices of cotton.

As if this was not enough, the recession in the West and the USA started having its worst impact, hitting the prices of yarn and fabric. However, by the grace of Allah, (s.w.t.), the Company managed to post a net profit of Rs. 31.846 million for the six month period. The subsequent three months have led to stabilization and somewhat increased consumer confidence in the western economies. Also the effects of floods diminished to a large extent and the Company started showing positive signs in terms of quality and prices of yarn, while prices of cotton remained subdued and uncertain due to international factors. We are glad to report, however, that during these nine months the Company earned a pre-tax profit of Rs. 132.168 million which is an encouraging sign and the indications are that the remaining part of the year, Insha Allah (s.w.t.), be even better, unless there are some unforeseen developments.

It is hard to compare the corresponding period ended March 31, 2011 with the period under review in way of the factors mentioned above. Although current ratio marginally declined from 1.33 in the corresponding period to 1.31, debt equity ratio improved significantly from 23:77 to 17:83. In addition to meeting all financial obligations, the management is happy to report that the total assets of the Company improved significantly, which has encouraged the launching of a BMR program which would, Insha Allah, (s.w.t.), increase production by more than 30% and there will be consequential benefits, which will accrue.

On the whole we are very satisfied and optimistic for better days to come. The financial results are given below and details may be perused in other sections of this report:-

	Nine month period ended	
	31 March 2012	31 March 2011
	Rupees in Million	
Sales	2,398.937	2,806.158
Cost of sales	2,156.888	2,277.200
Gross profit	242.049	528.958
Administrative expenses	20.322	14.114
Distribution cost	20.047	14.776
Other operating expenses	11.402	29.626
	51.771	58.516
	190.278	470.442
Other operating income	4.251	5.769
Operating profit	194.529	476.211
Finance cost	62.361	76.477
Profit before taxation	132.168	399.734
Taxation	48.633	137.341
Profit for the period	83.535	262.393
Earning per share -		
<i>Basic & diluted (Rupees)</i>	2.32	7.29

ACKNOWLEDGEMENTS

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Al Baraka Bank (Pakistan) Limited, Bank Alfalah Limited, Faysal Bank Limited, First National Bank Modaraba, Orix Leasing Pakistan Limited, The Bank of Punjab and other financial Institutions for their confidence in the Company and strong financial support. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders of the Company. The Directors would also like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

Lahore: 30 April 2012

Ch. Muhammad Khurshid
(Chief Executive Officer)

CONDENSED INTERIM BALANCE SHEET

	Un-Audited 31 March 2012 Note Rupees	Audited 30 June 2011 Rupees
EQUITY AND LIABILITIES		
Equity		
Authorised capital		
36,000,000 (2011: 36,000,000)		
ordinary shares of Rs. 10/- each	360,000,000	360,000,000
Issued, subscribed and paid up capital	360,000,000	360,000,000
Accumulated profit	193,451,116	154,506,563
Total equity	553,451,116	514,506,563
Surplus on revaluation of fixed assets	147,560,669	156,914,450
Non-current liabilities		
Long term financing	136,128,250	166,326,500
Liabilities against assets subject to finance leases	10,832,013	30,325,460
Long term deposits	248,291	142,716
Deferred liabilities	4 219,084,195	210,580,543
	366,292,749	407,375,219
Current liabilities		
Trade and other payables	114,500,470	140,765,206
Interest accrued on loans	23,416,394	21,817,866
Short term borrowings	5 412,128,098	226,035,230
Taxation - net	17,760,945	-
Current portion of non-current liabilities	6 60,836,538	65,461,424
	628,642,445	454,079,726
Total liabilities	994,935,194	861,454,945
Total Equity and Liabilities	1,695,946,979	1,532,875,958

CONTINGENCIES AND
COMMITMENTS

7

The annexed notes from 1 to 16 form an integral part of this interim financial information.

(Chief Executive Officer)

AS AT 31 MARCH 2012

	Note	Un-Audited 31 March 2012 Rupees	Audited 30 June 2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	8	871,200,633	925,417,226
Long term deposits		3,669,060	3,667,560
		874,869,693	929,084,786
Current assets			
Stores & spare parts		31,846,481	33,178,442
Stock in trade	9	684,841,037	358,597,423
Trade debts		55,075,610	84,639,352
Advances		29,532,773	4,805,976
Trade deposits and short term prepayments		3,441,366	2,350,620
Taxation - net		-	3,151,799
Tax refunds due from the Government		9,646,611	14,971,001
Cash and bank balances		6,693,408	102,096,559
		821,077,286	603,791,172
Total Assets		<u>1,695,946,979</u>	<u>1,532,875,958</u>

(Director)

CONDENSED INTERIM
PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012

	Note	Nine month period ended		Three month period ended	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011
		Rupees	Rupees	Rupees	Rupees
Sales	10	2,398,936,960	2,806,158,210	772,996,964	1,101,491,704
Cost of sales	11	2,156,887,517	2,277,199,946	651,935,121	882,712,937
Gross profit		242,049,443	528,958,264	121,061,843	218,778,767
Administrative expenses		20,322,011	14,112,787	4,853,569	4,302,419
Distribution cost		20,047,480	14,775,787	6,715,422	6,742,959
Other operating expenses	12	11,402,439	29,626,019	7,306,474	12,252,041
		51,771,930	58,514,593	18,875,465	23,297,419
		190,277,513	470,443,671	102,186,378	195,481,348
Other operating income		4,251,176	5,769,960	1,935,780	1,130,338
Operating profit		194,528,689	476,213,631	104,122,158	196,611,686
Finance cost		62,360,989	76,477,056	27,220,303	31,297,905
Profit before taxation		132,167,700	399,736,575	76,901,855	165,313,781
Taxation	13	48,633,439	137,341,360	25,214,012	58,036,870
Profit for the period		83,534,261	262,395,215	51,687,843	107,276,911
Earning per share - <i>Basic & diluted (Rupees)</i>		2.32	7.29	1.44	2.98

(Chief Executive Officer)

(Director)

CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012

	Nine month period ended		Three month period ended	
	31 March 2012 Rupees	31 March 2011 Rupees	31 March 2012 Rupees	31 March 2011 Rupees
Profit for the period	83,534,261	262,395,215	51,687,843	107,276,911
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	83,534,261	262,395,215	51,687,843	107,276,911

The annexed notes from 1 to 16 form an integral part of this interim financial information.

(Chief Executive Officer)

(Director)

**CONDENSED INTERIM
STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012**

	Nine month period ended 31 March 2012 Rupees	Nine month period ended 31 March 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	132,167,700	399,736,574
Adjustment for non-cash charges and other items:		
Depreciation	52,281,703	54,596,764
Loss/(gain) on sale of property, plant and equipment	1,606,981	(117,888)
Exchange gain	(620,887)	-
Provision for gratuity	5,283,744	5,311,436
Finance cost	62,360,989	76,477,056
Workers' welfare fund	2,697,300	8,157,889
Workers' profit participation fund	7,098,158	21,468,130
	<u>130,707,988</u>	<u>165,893,387</u>
Profit before working capital changes	262,875,688	565,629,961
Effect on cash flows due to working capital changes		
(Increase)/ decrease in current assets		
Stores and spare parts	1,331,961	(8,801,092)
Stock in trade	(326,243,614)	(1,051,723,256)
Trade debts	30,184,629	(85,058,186)
Advances	(24,726,797)	(10,179,013)
Trade deposits and short term prepayments	(1,090,746)	(765,780)
Tax refunds due from the Government	5,324,390	4,735,214
Increase/(decrease) in current liabilities		
Trade and other payables	(36,060,194)	183,127,179
	<u>(351,280,371)</u>	<u>(968,664,934)</u>
Cash used in from operations	(88,404,683)	(403,034,973)
Finance cost paid	(60,762,461)	(59,443,866)
Income tax paid	(19,587,052)	(24,348,028)
Gratuity paid	(4,857,223)	(1,675,518)
Net cash used in operating activities	<u>(173,611,419)</u>	<u>(488,502,385)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred on property, plant and equipment	(600,983)	(51,187,324)
Proceeds from disposal of property, plant and equipment	928,891	372,000
(Increase) / decrease in long term deposits	(1,500)	5,000
Net cash flow from/(used in) investing activities	326,408	(50,810,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(11,317,250)	(9,567,250)
Increase in long term advances	105,575	39,878
Repayment of finance lease liabilities	(42,999,332)	(32,155,002)
Increase in short term borrowings-net	186,092,868	602,680,023
Dividend paid	(54,000,000)	(36,000,000)
Net cash from financing activities	<u>77,881,861</u>	<u>524,997,649</u>
Net decrease in cash and cash equivalents	(95,403,150)	(14,315,060)
Cash and cash equivalents at the beginning of the period	102,096,559	27,438,168
Cash and cash equivalents at the end of the period	<u>6,693,409</u>	<u>13,123,108</u>

The annexed notes from 1 to 16 form an integral part of this interim financial information.

(Chief Executive Officer)

(Director)

CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012

	Share capital	Unappropriated profit	Total equity
	-----Rupees-----		
Balance as at 01 July 2010	360,000,000	110,820,632	470,820,632
Total comprehensive income for the period	-	262,395,215	262,395,215
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation -net of deferred tax	-	10,420,966	10,420,966
Final dividend for the year ended 30 June 2010	-	(36,000,000)	(36,000,000)
Balance as at 31 March 2011	<u>360,000,000</u>	<u>347,636,813</u>	<u>707,636,813</u>
Balance as at 01 July 2011	360,000,000	154,506,563	514,506,563
Total comprehensive income for the period	-	83,534,261	83,534,261
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation -net of deferred tax	-	9,410,292	9,410,292
Final dividend for the year ended 30 June 2011	-	(54,000,000)	(54,000,000)
Balance as at 31 March 2012	<u>360,000,000</u>	<u>193,451,116</u>	<u>553,451,116</u>

The annexed notes from 1 to 16 form an integral part of this interim financial information.

(Chief Executive Officer)

(Director)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2012

1. THE COMPANY AND ITS OPERATIONS

The Company is a Public Limited Company incorporated in Pakistan on 06 June 1990 under the Companies Ordinance, 1984 and is quoted on Lahore and Karachi Stock Exchanges. Registered office of the company is situated at 314 - Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

2. BASIS OF PREPARATION

2.1 This interim financial information is unaudited and is being submitted to shareholders, as required by section 245 of Companies Ordinance, 1984.

2.2 This condensed interim financial information of the Company for the nine month period ended 31 March 2012 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.3 The accounting policies and the method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2011.

"The company has adopted the following amended IFRS and related interpretations which became effective during the period."

IFRS 7- Financial Instruments: Disclosures

IAS 24 - Related Party Disclosures

IFRIC 14 - Prepayment of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying working. These improvements are listed below:

IFRS 7- Financial Instruments: Disclosures

- Classification of disclosures

IAS 1 - Presentation of Financial Statements

- Classification of statement of changes in equity

- IAS 34 - Interim Financial Reporting
 - Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes
 - Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the interim financial information.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
 Judgments and estimates made by the management in the preparation of the interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2011.

	Un-Audited 31 March 2012	Audited 30 June 2011
Note	Rupees	Rupees
4. DEFERRED LIABILITIES		
Post employment benefits-unfunded	13,459,423	13,032,902
Deferred taxation	205,624,772	197,547,641
	<u>219,084,195</u>	<u>210,580,543</u>
5. SHORT TERM BORROWINGS		
From financial institutions:		
<i>- Secured</i>		
Cash finance	(5.1) 409,056,694	222,571,187
<i>- Unsecured</i>		
Bank over drawn	3,071,404	3,464,043
	<u>412,128,098</u>	<u>226,035,230</u>

- 5.1 These facilities have been obtained against aggregate sanctioned limit of Rupees 715 million (30 June 2011: Rupees 615 million) to finance working capital requirements of the Company for purchase of raw material. The rates of mark up range between KIBOR plus 1.5% to KIBOR plus 2.75% per annum (30 June 2011: KIBOR plus 1.50% to KIBOR plus 2.75% per annum). These are secured against pledge of cotton bales, yarn bags, first pari passu charge on all current assets of the Company and personal guarantee of the directors of the Company.

	Un-Audited 31 March 2012	Audited 30 June 2011
Note	Rupees	Rupees
6. CURRENT PORTION OF LONG TERM LIABILITIES		
Long term financing	41,015,500	22,134,500
Liabilities against assets subject to finance leases	<u>19,821,038</u>	<u>43,326,924</u>
	<u>60,836,538</u>	<u>65,461,424</u>

7. CONTINGENCIES AND COMMITMENTS

- 7.1 There is no significant change in the contingencies since the date of preceding published annual financial statements.
- 7.2 Commitments in respect of letter of guarantee margin other than for capital expenditure amount to Rs. 1,011,565 (30 June 2011: Rs. 1,011,365).
- 7.3 Future ljarah payments due under ljarah arrangements are:

Within one year	10,607,516	10,661,835
After one year but not more than five years	<u>5,303,758</u>	<u>15,992,751</u>
	<u>15,911,274</u>	<u>26,654,586</u>

8. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	(8.1)	715,378,515	756,960,880
Assets subject to finance lease	(8.2)	<u>155,822,118</u>	<u>168,456,346</u>
		<u>871,200,633</u>	<u>925,417,226</u>

8.1 Operating fixed assets - tangible

Opening book value		756,960,880	673,946,030
Add: Additions during the period/year - cost	(8.1.1)	600,983	101,870,273
Adjustments / transfers		-	36,764,059
		<u>757,561,863</u>	<u>812,580,362</u>

Less:

Book value of assets disposed during the period/year	2,535,872	1,283,690
Depreciation charged during the period/year	<u>39,647,476</u>	<u>54,335,792</u>
	42,183,348	55,619,482
Net book value	<u>715,378,515</u>	<u>756,960,880</u>

	Un-Audited	Audited
	31 March 2012	30 June 2011
	Rupees	Rupees
8.1.1 Additions during the period / year - cost		
Building	-	11,342,530
Plant and machinery	-	87,234,227
Mill equipment	57,140	1,212,700
Office equipment	511,343	931,380
Furniture and fixture	32,500	195,850
Vehicles	-	953,586
	<u>600,983</u>	<u>101,870,273</u>

8.2 Assets subject to finance lease		
Opening book value	168,456,346	224,562,415
Add: Adjustment	-	(37,388,698)
	<u>168,456,346</u>	<u>187,173,717</u>
Less: Depreciation charged during the period / year	12,634,228	18,717,371
Net book value	<u>155,822,118</u>	<u>168,456,346</u>

9. STOCK IN TRADE		
Raw material	634,834,750	267,296,912
Work in process	20,220,935	24,131,087
Finished goods	25,185,390	64,742,135
Packing material	3,114,163	2,043,954
Waste	1,485,799	383,335
	<u>684,841,037</u>	<u>358,597,423</u>

	Nine months period ended		Three months period ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	Rupees	Rupees	Rupees	Rupees
10. SALES				
Yarn				
Local	2,292,562,799	2,760,101,730	765,396,869	1,080,741,504
Export	74,928,481	-	-	-
Waste	31,445,680	46,056,480	7,600,095	20,750,200
	<u>2,398,936,960</u>	<u>2,806,158,210</u>	<u>772,996,964</u>	<u>1,101,491,704</u>

	Nine month period ended		Three month period ended	
	31 March 2012 Rupees	31 March 2011 Rupees	31 March 2012 Rupees	31 March 2011 Rupees
11. COST OF SALES				
Raw material consumed	1,786,851,482	1,969,476,467	546,318,978	786,202,541
Salaries, wages and benefits	83,293,143	85,202,786	26,584,739	27,483,002
Store and spares consumed	34,145,886	29,458,785	8,018,447	8,887,247
Packing material consumed	23,810,282	20,102,759	7,725,251	6,668,520
Fuel and power	120,549,753	104,580,483	47,806,793	37,191,660
Ijarah rentals	6,542,803	7,538,552	2,280,967	2,053,639
Insurance	2,842,704	2,797,686	1,060,750	1,115,031
Repair and maintenance	3,595,655	5,453,081	1,060,253	3,300,969
Other expenses	1,546,775	743,492	383,459	265,203
Depreciation	51,344,601	53,503,898	17,103,293	18,153,862
	<u>2,114,523,084</u>	<u>2,278,857,989</u>	<u>658,342,930</u>	<u>891,321,674</u>
Effect of work in process inventory				
Opening	24,131,087	11,084,974	20,465,718	18,146,033
Closing	(20,220,935)	(20,240,903)	(20,220,935)	(20,240,903)
	<u>3,910,152</u>	<u>(9,155,929)</u>	<u>244,783</u>	<u>(2,094,870)</u>
Cost of goods manufactured	2,118,433,236	2,269,702,060	658,587,713	889,226,804
Effect of finished goods inventory				
Opening	65,125,470	33,152,747	20,018,597	19,140,994
Closing	(26,671,189)	(25,654,861)	(26,671,189)	(25,654,861)
	<u>38,454,281</u>	<u>7,497,886</u>	<u>(6,652,592)</u>	<u>(6,513,867)</u>
	<u>2,156,887,517</u>	<u>2,277,199,946</u>	<u>651,935,121</u>	<u>882,712,937</u>

12. OTHER OPERATING EXPENSES

This amount includes workers' profit participation fund amounting to Rupees 7,098,158 (31 March 2011: Rupees 21,468,130) and workers' welfare fund amounting to Rupees 2,697,300 (31 March 2011: Rupees 8,157,889).

	Nine month period ended		Three month period ended	
	31 March 2012 Rupees	31 March 2011 Rupees	31 March 2012 Rupees	31 March 2011 Rupees
13. TAXATION				
Current	40,499,796	86,755,844	24,240,396	56,394,594
Deferred	8,133,643	50,585,516	973,616	1,642,276
	<u>48,633,439</u>	<u>137,341,360</u>	<u>25,214,012</u>	<u>58,036,870</u>

14. RELATED PARTY TRANSACTIONS

The related parties comprise of chief executive officer, directors of the Company and key management personnel. Detail of transactions with related parties are as follow :

	Nine month period ended		Three month period ended	
	31 March 2012 Rupees	31 March 2011 Rupees	31 March 2012 Rupees	31 March 2011 Rupees
Relationship with the Company and nature of transactions				
Chief executive officer & Directors - Remuneration	2,049,538	3,029,120	855,630	1,030,116

Transactions entered into with the key managements personnel as per their terms of employment are excluded from related party transactions.

15. DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors of the Company on 30 April 2012.

16. GENERAL

Figures have been rounded off to the nearest rupee.

(Chief Executive Officer)

(Director)

BOOK POST
Printed Matter

To _____

If undelivered, please return to:
Resham Textile Industries Limited
314 - Upper Mall, Lahore.
Phone : 111 76 76 76