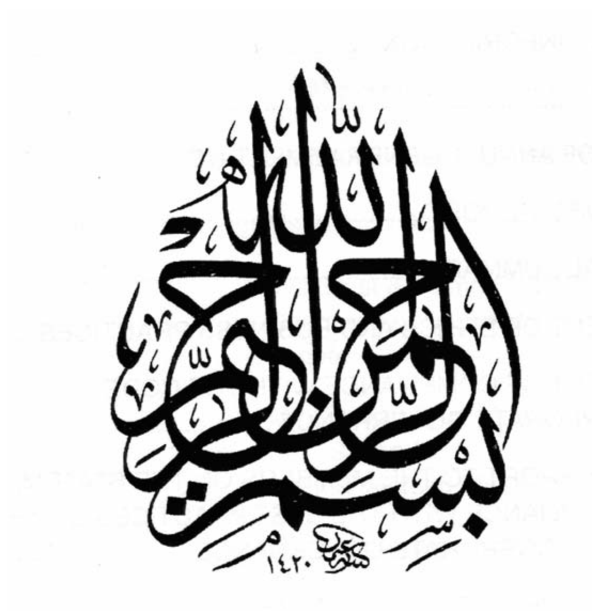

ANNUAL REPORT 2018

CONTENTS

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	:	Mr. Muhammad Arshad Saeed
BOARD OF DIRECTORS	:	Ch. Rahman Bakhsh Mrs. Salma Aziz Mr. Muhammad Musharaf Khan Ms. Kiran A. Chaudhry Mr. Kamran Ilyas Mr. Muhammad Ali Chaudhry
CHIEF FINANCIAL OFFICER	:	Mr. Muhammad Ali Chaudhry
COMPANY SECRETARY	:	Mr. Muhammad Javed
AUDITORS	:	M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants Lahore
AUDIT COMMITTEE	:	Mr. Kamran Ilyas — Chairman Mrs. Salma Aziz — Member Mr. Muhammad Musharaf Khan — Member
HR - COMMITTEE	:	Mr. Kamran Ilyas — Chairman Mr. Muhammad Ali Chaudhry — Secretary Ms. Kiran A. Chaudhry — Member
BANKERS	:	National Bank of Pakistan Bank Alfalah Limited Askari Bank LImited Al Baraka Bank (Pakistan) Ltd. Faysal Bank Limited
SHARE REGISTRAR	:	Corplink (Pvt.) Ltd.
LEGAL ADVISORS	:	Mr. Shaukat Haroon (Advocate) Barrister Salman Rahim (Advocate High Court) Yousaf Islam Associates
REGISTERED OFFICE	:	36-A, Lawrence Road, Lahore
UAN	:	(042) 111-767-676
WEBSITE	:	www.reshamtextile.com
MILLS	:	1.5 Kilometer Habibabad, Chunian Road, Tehsil Chunian, District Kasur.

MISSION

The management is committed to excellence in operations with the aim of achieving highest standards in product quality, customer satisfaction, Company growth, employees welfare and social responsibilities and is constantly striving to meet these objectives.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on 4th October, 2018 at 11:00 a.m. at the Registered Office of the Company i.e. 36-A, Lawrence Road, Lahore to transact the following business.

1. To confirm the minutes of the last Meeting.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' report thereon.

3. To appoint auditors for the year ending June 30, 2019 and fix their remuneration.

4. To approve the cash dividend @ Rs.2 per share i.e. 20 %, as recommended by the Board of Directors, in addition to an interim dividend already paid at Rs.1 per share i.e. 10% for the year ended June 30, 2018.

5. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Javed
Company Secretary

Lahore: 12 September 2018.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 28 September 2018 to 4th October 2018 (both days inclusive).

2. Pursuant to the Notification SRO.275(I)/2016 dated March 31, 2016 read with S.R.O.19(I)/2014 dated January 10, 2014 and SRO.831(I)/2012 dated July 5, 2012 of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC or NTN in case of corporate entities (if not already provided) to the Company's Share Registrar.

   In case of non-availability of a valid copy of the Shareholders' CNIC in the records of the Company, the company shall be constrained to withhold the Dividend Warrants, which will be released by the Share Registrar only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

3. Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For Filers of Income Tax Returns	15.0%
(b) For Non-Filer of Income Tax Returns	20.0%

Shareholders, who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

4. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him. A proxy form duly signed and stamped must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting. A form of proxy is attached here with in the Annual report

5. The account holders of CDC are requested to bring their original CNIC/ Passport for the purpose of identification at the meeting.

6. Members are requested to promptly notify the Company of any changes in their registered address.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the audited accounts for the year ended June 30, 2018.

Performance Review

Alhamdulillah, the year under review, was an unusually good year and a special favor by Allah, s.w.t., un-worsening economic conditions in the country. Also, partly, policy of the company to make the procurement of the raw material, cotton, early paid off. Procurement of cotton was locked at an average rate of Rs.6,690 per maund. Although a very major event of US Dollar appreciating to Rs.121.15 at the closing of the year as compared to the rate of Rs.104.58 on July 1, 2017 (15.84% higher) due to which there was an abnormal increase in export orders and prices of yarn picked up from an average of Rs.1,312.76 in the beginning of the year to Rs.1,553.58 at the closing date. The cost of sale, particularly due to imported items and also impact of depreciation of Rupee in the country, also increased by 13% but luckily it was mainly absorbed and inspite of the average spinning units, other than big groups, making losses, the company's profit for the year increased by 75.41% at Rs.167,214,583 as compared to Rs.95,328,822 (s.p.l.y). Sales were higher by 19.51% and cost of sales was recorded at 15.61%. The company managed to reduce selling and distribution expenses, which were reduced by 8.93% but administrative expenses increased by 42.94%. Finance cost increased by 57.67% due to higher inventory of cotton as also increase in the interest rates. Other income increased by 16.30% and the net effect of everything resulted in increase of profit for the year at 75.41%. The financial results in tabulated form are given below and details may be perused in other sections of this report:-

	2018 Rupees	2017 Rupees
Sales-net	4140428	3,464,594
Cost of sales	3823518	3,307,392
Gross profit	316,910	157,202
Selling and distribution expenses	18,680	20,512
Administrative expenses	76,561	53,563
Other operating expenses	13,938	5,275
Finance Cost	43,379	27,512
	152,558	106,862
	164,352	50,340
Other income	2,210	1,900
Profit for the year before taxation	166,562	52,240
Provision for taxation	652	43,089
Profit for the year	167,214	95,329

Future Prospects:

Due to the procurement of cotton for July and August 2018 and the rate for closing stock, the year started well and the company is likely to make some profit for the 1st quarter. However, the overall signals for the year are bad and almost all textile industry is in entering a very bad crisis and appealing to the Government for help which seems difficult for the Government. Also, cost of energy has increased and almost all imports have been affected by depreciation of Rupee, both the figures for balance of payments and fiscal deficit are alarming. A new Government has taken over with ambitious plans but there does not seem to be much they will be able to do in the first year as the high import dependent economy and national loan repayments scare everybody. A lot of firefighting will have to be done. If the Government tries to bring down the dollar, the export will be affected and if the dollar goes up to encourage exports, which is Government priority, cotton prices and prices of all utilities and spare parts will go up. The Government has promised to give a textile policy soon but in my view, the room for maneuver and financial space available is rather limited. The elite and upper class is used to a lavish overspending life style not matching national resources. Billions of dollars are lying abroad and much will also depend whether upper class people decided to save the economy and bring back the money. The middle and the lower classes are very hard pressed and anybody getting less than Rs.50,000 to Rs.75,000 is in a miserable condition. However, the will power of our people is well known for fighting such situations and one hopes that the long-term future is not bad, subject to careful planning by the Government and behavior of upper classes. Changing life styles is not an easy task but one should hope for the best, Ameen.

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Bank Alfalah Limited, Askari Islamic Bank. Faysal Bank Limited, Al Baraka Bank (Pakistan) Limited, MCB Bank Limited and other financial Institutions for their confidence in the Company and strong financial support. The Directors would also like to particularly mention the dedication and devotion displayed by the employees in performing their duties. In addition, thanks are also due to all Honorable Shareholders for their continuing support.

For and on behalf of the Board

Lahore: 12 September 2018

Muhammad Arshad Saeed
(Chief Executive Officer)

Financial Summary

	2018	2017	2016	2015	2014	2013
BALANCE SHEET						
(Rupees in thousand)						
Paid up Share Capital	360,000	360,000	360,000	360,000	360,000	360,000
Unappropriated Profit	761,962	613,596	535,330	539,159	446,894	376,336
Surplus on Revaluation of Fixed Assets	388,714	202,102	218,156	236,394	257,360	132,850
Total Equity	1,510,676	973,596	895,330	899,159	806,894	736,336
Deferred Liabilities	289,317	249,590	280,672	296,914	316,511	257,398
Long Term Advances	-	-	-	131	235	389
Current Liabilities	352,006	233,363	208,050	326,909	436,630	672,317
	2,152,999	1,658,651	1,602,208	1,759,507	1,817,630	1,799,290
Represented by:						
Fixed Assets	1,324,747	1,097,230	1,156,630	1,218,378	1,289,573	1,019,514
Capital work in progress	-	-	2,526	5,746	3,669	1,420
Other Assets	3,699	3,703	3,698	3,698	3,698	3,678
Current Assets	824,553	557,718	439,354	531,685	520,690	774,678
	2,152,999	1,658,651	1,602,208	1,759,507	1,817,630	1,799,290
PROFIT AND LOSS						
Sales	4,140,428	3,464,594	3,132,476	3,395,806	4,051,203	3,501,701
Cost of Sales	3,823,518	3,307,392	3,019,780	3,148,835	3,775,254	2,994,130
Gross Profit	316,910	157,202	112,696	246,971	275,948	507,571
Operating Profit	164,287	50,340	40,200	166,721	194,539	410,689
Profit Before Taxation	166,497	52,240	17,395	138,316	140,176	349,455
Profit After Taxation	167,149	95,329	3,354	103,246	90,901	251,079
EPS	4.64	2.65	0.09	2.87	2.53	6.97
Dividend %	30	10	-	12	15	20
PERCENTAGE TO SALES						
Gross Profit % age	7.65	4.54	3.60	7.27	6.81	14.49
Profit Before Taxation % age	4.02	1.51	0.56	4.07	3.46	9.98
Profit After Taxation % age	4.04	2.75	0.11	3.04	2.24	7.17
Admin & Selling Expenses % age	2.30	2.14	2.41	2.00	1.71	2.07

STATEMENT OF ETHICS AND BUSINESS PRACTICES

This Statement of Ethics and Business Practices is intended to document the principles of conduct and ethics to be followed by Resham Textile Industries Limited (the "Company") and its employees, officers and directors. Its purpose is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest.

CONFLICTS OF INTEREST - Directors, officers and employees of the Company shall act at all times honestly and ethically, and shall avoid situations where their personal or outside business interests could conflict with the interests of the Company and its shareholders.

DEALING WITH BUSINESS PARTNERS - All purchases of goods and services by the Company will be made exclusively on the basis of price, quality, service and suitability to the Company's needs and in the interest of the Company alone. Directors, officers and employees are prohibited from accepting gifts from sellers or buyers in any form whatsoever.

DISCLOSURE - Each senior executive officer must provide full, fair, accurate and understandable information whenever communicating with the Company's stockholders or the general public.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS - All directors, officers and employees must conduct Company business in compliance with all applicable laws, rules and regulations.

HEALTH, SAFETY, AND ENVIRONMENTAL PROTECTION - It is the Company's policy to ensure the safety of its employees, be extra careful in protecting Company property from fire and other hazards, and to maintain the state of environment.

REPORTING OF VIOLATIONS - It is each employee's responsibility to notify promptly his or her supervisor regarding any actual or potential violation of this Code and any applicable laws, rules and regulations by anyone in the Company.

FAIR DEALING - It is our policy that each director, officer and employee will endeavor to deal fairly with the Company's customers, suppliers, competitors and employees.

CONFIDENTIALITY - All directors, officers and employees are prohibited from revealing confidential information of the Company acquired by virtue of their association with the Company or in any other manner, disclosure of which may hurt the interests of the Company. This does not apply to disclosures required by laws, rules and regulations.

PROPER USE OF COMPANY ASSETS - All Directors, officers and employees should protect the Company's assets and ensure their efficient use. Employees must not participate in, or arrange, any activity that is not commensurate with Company interests.

AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of Resham Textile Industries Limited (the Company), which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan *(the Code)* and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
Chartered Accountants
Place: Lahore
Date: 12 SEP 2018

BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,324,746,565	1,097,229,535
Long term deposits - against utilities		3,698,560	3,702,560
		1,328,445,125	1,100,932,095
Current assets			
Stores and spares	6	55,325,564	58,191,560
Stock in trade	7	578,187,418	373,274,341
Trade debts			
unsecured - considered good		93,009,565	73,208,230
Advances	8	44,616,383	27,697,663
Trade deposits and short term prepayments	9	2,798,948	4,085,438
Tax refunds due from Government	10	32,397,441	15,064,501
Cash and bank balances	11	18,218,268	6,197,063
		824,553,587	557,718,796
TOTAL ASSETS		2,152,998,712	1,658,650,891
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
36,000,000 Ordinary shares of Rs.10/- each		360,000,000	360,000,000
Issued, subscribed and paid up capital			
36,000,000 Ordinary shares of Rs.10/- each fully paid in cash		360,000,000	360,000,000
Unappropriated profit		761,961,893	613,595,976
Revaluation surplus on property, plant and equipment	12	388,714,282	202,101,955
		1,510,676,175	1,175,697,931
Non-current liabilities			
Deferred liabilities	13	289,316,350	249,590,144
Current liabilities			
Trade and other payables	14	158,216,822	130,934,018
Unclaimed dividend		436,749	378,824
Accrued mark up on short term borrowings		5,899,879	4,722,396
Short term borrowings	15	131,593,442	62,486,831
Provision for taxation - income tax		56,859,295	34,840,747
		353,006,187	233,362,816
TOTAL EQUITY AND LIABILITIES		2,152,998,712	1,658,650,891
CONTINGENCIES AND COMMITMENT	16	-	-

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	17	4,140,427,928	3,464,594,340
Cost of sales	18	3,823,517,963	3,307,392,321
Gross profit		316,909,965	157,202,019
Selling and distribution expenses	19	18,679,636	20,512,115
Administrative expenses	20	76,560,852	53,562,964
Other operating expenses	21	14,003,609	5,274,874
Finance cost	22	43,378,872	27,512,296
		152,622,969	106,862,249
		164,286,996	50,339,770
Other income	23	2,209,667	1,899,973
Profit for the year before taxation		166,496,663	52,239,743
Provision for taxation	24	652,051	43,089,079
Profit for the year		167,148,714	95,328,822

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018 Rupees	2017 Rupees
Profit for the year	167,148,714	95,328,822
Other comprehensive income		
Items that will not be subsequently	-	
reclassified to profit or loss	-	
Remeasurement of staff retirement gratuity	-	4,118,498
Related deferred tax	-	(1,235,550)
Surplus on fixed assets revalued during the year	287,083,845	-
Related deferred tax	(83,254,315)	-
	203,829,530	2,882,948
Total comprehensive income for the year	370,978,244	98,211,770

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued, subscribed and paid up capital	Unappropriated profit	Revaluation surplus on property, plant and equipment	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2017	360,000,000	535,329,811	218,156,350	1,113,486,161
Total comprehensive income for the year				
Profit for the year	-	95,328,822	-	95,328,822
Other comprehensive income	-	-	-	-
Items that will not be subsequently reclassified to profit or loss				
Remeasurement of staff retirement gratuity	-	4,118,498	-	4,118,498
Related deferred tax	-	(1,235,550)	-	(1,235,550)
	-	98,211,770	-	98,211,770
Incremental depreciation for the year on revalued assets	-	26,897,315	(26,897,315)	-
Related deferred tax	-	(10,842,920)	10,842,920	-
Interim dividend paid for the year ended June 30, 2017 @ Rs. 1.0/- per share		(36,000,000)	-	(36,000,000)
Balance as at June 30, 2017	360,000,000	613,595,976	202,101,955	1,175,697,931
Balance as at July 01, 2017	360,000,000	613,595,976	202,101,955	1,175,697,931
Total comprehensive income for the year				
Profit for the year	-	167,148,714	-	167,148,714
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss				
Surplus on fixed assets revalued during the year	-	-	287,083,845	287,083,845
Related deferred tax	-	-	(83,254,315)	(83,254,315)
	-	167,148,714	203,829,530	370,978,244
Incremental depreciation for the year on revalued assets	-	24,249,581	(24,249,581)	-
Related deferred tax	-	(7,032,378)	7,032,378	-
Interim dividend paid for the year ended June 30, 2018 @ Rs. 1.0/- per share	-	(36,000,000)	-	(36,000,000)
Balance as at June 30, 2018	360,000,000	761,961,893	388,714,282	1,510,676,175

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	166,496,663	52,239,743
Adjustments for non cash and non operating items:		
Depreciation on operating fixed assets	60,518,735	66,484,144
Loss / (gain) on disposal of operating fixed assets	34,408	135,210
Provision for gratuity	18,399,959	17,605,968
Finance costs	43,378,872	27,512,296
	122,331,974	111,737,618
Cash flows before working capital changes	288,828,637	163,977,361
Effect of working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	2,865,996	(9,016,204)
Stock in trade	(204,913,077)	(118,965,426)
Trade debts	(19,801,335)	2,920,553
Advances	928,706	86,829
Trade deposits and short term prepayments	1,286,490	(623,925)
Tax refunds due from Government	(17,332,940)	
Increase / (decrease) in current liabilities:		
Trade and other payables	27,282,804	6,447,212
Unclaimed dividend	57,925	146,482
	(209,625,431)	(119,004,479)
Cash generated from operations	79,203,206	44,972,882
Finance cost paid	(42,201,389)	(32,407,688)
Gratuity paid	(15,734,231)	(11,079,793)
Income tax paid	(41,370,664)	(13,138,164)
	(99,306,284)	(56,625,645)
Net cash (used in) operating activities (A)	(20,103,078)	(11,652,763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(1,021,328)	(4,897,800)
Proceeds from disposal of operating fixed assets	35,000	205,200
Long term deposits	4,000	(5,000)
Net cash (used in) investing activities (B)	(982,328)	(4,697,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interim dividend paid during the year	(36,000,000)	(36,000,000)
Short term borrowings obtained / paid (net)	69,106,611	33,907,359
Net cash generated from / (used in) financing activities (C)	33,106,611	(2,092,641)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	12,021,205	(18,443,004)
Cash and cash equivalents at the beginning of the year	6,197,063	24,640,067
Cash and cash equivalents at the end of the year	18,218,268	6,197,063

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and its operations

Resham Textile Industries Limited (the Company) is a Public Company (Unlisted), incorporated in Pakistan on 06 June, 1990 under the (repealed) Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is engaged in manufacturing and sale of yarn and unstitched garments manufactured on outsourcing basis.

The geographical locations and addresses of the company's business units, including mill are as follows:

- The Company's registered office is situated at 36 A - Lawrence Road, Lahore, in the province of Punjab; and
- The Company's mill is situated at 1.5 km Habibabad in the Kasur district, Punjab.

1.2 Significant Transactions

1.2.1 Declared interim dividend on April 13, 2018. (Refer to statement of changes in equity).

1.2.2 The accounting policy for surplus on revaluation of property, plant and equipment changed during the year. Consequently, some of the amounts reported in the prior years have been restated. (For detailed information about these adjustments please refer to note).

1.2.3 Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fifth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified. (For detailed disclosure of this information please refer to note 30).

1.2.4 The Company has revalued its freehold land, building on free hold land, plant and machinery and electric installations on 30 June 2018. (For detailed information please refer to note 12).

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value, certain items of property, plant and equipment which are measured at revalued amounts and certain employee retirement benefits which are carried at present value.

2.3 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupee which is the Company's functional and presentation currency.

2.4 Use of Estimate and Judgment

The preparation of financial statements in conformity with approved accounting standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Retirement and other benefits
- Provision for current and deferred taxation
- Residual values and useful lives of depreciable assets
- Provisions

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have become effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these financial statements.

i. Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

ii. Annual Improvements to IFRS Standards 2014–2016 Cycle, applicable for annual reporting periods beginning on or after January 01, 2017.

- IFRS 12 – Disclosure of Interests in Other Entities

The amendment states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.

The amendments clarify that this is the only concession from the disclosure requirements for such interests.

iii. IAS 7 – Statement of Cash Flows

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

iv. IAS 12 – Income Taxes

The amendments in recognition of deferred tax assets for unrealized losses clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of amendments has no significant impact on the disclosures or amounts recognized in the Company's financial statements.

3.2 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates.

i. Amendments to References to the Conceptual Framework in IFRS Standards:

The IASB issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020.

ii. IFRS 2 – Share-based Payment

Amendments to classification and measurement of Share-based Payment transactions, applicable for annual reporting periods beginning on or after January 01, 2018, contains the following clarifications and amendments:

- Accounting for cash-settled share-based payment transactions that include a performance condition

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

- Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

iii. Annual Improvements to IFRS Standards 2015–2017 Cycle, applicable for annual reporting periods beginning on or after January 01, 2019.

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements— The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

IAS 23 - Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

iv. IFRS 4 – Insurance Contracts

The standard has been amended by applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. The amendment states that an entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual reporting periods beginning on or after January 01, 2018.

v. IFRS 9 – Financial Instruments

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The standard is effective for annual reporting periods beginning on or after July 01, 2018, as notified by the SECP vide SRO 1007(I)/2017 dated October 04, 2017.

Further, IASB has issued amendments relating to Prepayment Features with Negative Compensation (Amendments to IFRS 9) to address the concerns about how IFRS 9 classifies particular pre-payable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after January 01, 2019; early application is permitted.

The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

vi. IFRS 15 Revenue from Contracts with Customers

IFRS 15 originally issued on 28 May 2014, provides a single, principles based five-step model (Identify the contract with the customer, identifying performance obligations, determine the transaction price, allocate the transaction price to the performance obligations in the contracts and recognize revenue when (or as) the entity satisfies a performance obligation) to be applied to all contracts with customers. On 12 April 2016, clarifications to IFRS 15 'Revenue from Contracts with Customers' were issued which address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The standard along with clarifications are effective for annual reporting periods beginning on or after July 01, 2018, as notified by SECP vide SRO 1007(I)/2017 dated October 04, 2017. The Management is in the process of evaluating the impact of application of the standard and clarifications on the Company's financial statements.

vii. IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 replaces the following standards and interpretations:

- IAS 17 Leases
- IFRIC 4 Determining whether an Arrangement contains a Lease
- SIC-15 Operating Leases - Incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019, as notified by S.R.O. 434 (I)/2018 dated April 9, 2018.

viii. IAS 19 – Employee Benefits

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, relate to plan amendment, curtailment or settlement detailed as below:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

ix. IAS 28 – Investments in Associates and Joint Ventures

Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements), applicable for periods beginning on or after January 01, 2018, clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Further, amendments applicable for periods beginning on or after January 01, 2019 have been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

x. IAS 40 – Investment Property

The amendments in Transfers of Investment Property, applicable for periods beginning on or after January 01, 2018, state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

xi. IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual reporting periods beginning on or after January 01, 2018. Earlier application is permitted.

xii. IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRIC 23 is effective for annual reporting periods beginning on or after January 01, 2019. Earlier application is permitted.

3.3 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in Pakistan:

- IFRS 1 First time adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral Accounts
- IFRS 17 Insurance Contracts

3.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, Plant and Equipment

These are stated at cost / valuation less accumulated depreciation and accumulated impairment loss, if any, except freehold land and capital work-in-progress which are stated at cost / valuation less impairment in value, if any.

Depreciation is charged to profit and loss account using reducing balance method to write off the depreciable amount of operating fixed assets over their estimated useful lives at the rates specified in note to the financial statements. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged for the month in which an asset is disposed off. Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each reporting

Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

All costs / expenditures connected with specific assets collected under capital work-in-progress. These are transferred to specific assets as and when assets are available for intended use.

Any revaluation increase arising on the revaluation of an item of property, plant and equipment is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on revaluation of an item of Property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit. In case of the sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the unappropriated profit. . The revaluation reserve is not available for distribution to the Company's shareholders

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. The detailed information and impact of this change in policy is provided in note .

4.2 Impairment

4.2.1 Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial assets carried at cost, the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods. For financial assets' carried at amortized cost, the amount of impairment loss recognised is the difference between carrying amount and present value of estimated cash flows, discounted at effective interest rate.

4.2.2 Non-Financial Assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in the profit and loss account.

4.3 Stock in Trade

Stock in trade, except waste is valued at lower of cost and net realizable value. Cost is determined on following basis:

Raw material	-	First in first out (FIFO)
Raw material in transit	-	Invoice value plus other charges paid thereon
Work in process	-	Average manufacturing cost
Finished goods	-	Average manufacturing cost
Waste	-	Net realizable value

Average manufacturing cost in relation to work in process and finished goods comprise of cost of material plus related direct

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make such sale.

4.4 Stores and spares

These are valued at moving average cost less allowance for obsolete, slow moving and damaged items. Items in transit are valued at invoice value plus other charges incurred thereon.

4.5 Financial Instruments

Financial assets and financial liabilities are recognised at cost, using the trade date accounting, when the Company becomes a party to the contractual provisions of the instruments and derecognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

4.6 Offsetting of Financial Asset and Financial Liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.7 Related Party Transactions

Transactions with related parties are carried out on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price methods which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer un-related to the seller.

4.8 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts.

4.9 Trade Debts and Other Receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

4.10 Trade and Other Liabilities

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.11 Taxation

4.11.1 Current Tax

Provision of current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

4.11.2 Deferred Tax

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except in case of items credited or charged to equity in which case it is included in equity.

4.12 Staff Retirement Benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

4.13 Borrowing Costs

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.14 Foreign Currency Transactions

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used. Gains and losses arising on retranslation are included in profit or loss for the

4.15 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the extent of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.16 Revenue Recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recorded when significant risks and rewards of ownership of goods have passed to customers which coincides with dispatch of goods to customers.
- Profit on bank deposits is recognized on accrual basis.

4.17 Change in Accounting Policy

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable in Pakistan, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policies relating to the revaluation surplus on property, plant and equipment.

On July 01, 2017, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16: Property, plant and equipment are being followed by the Company. The new accounting policy is explained under note 4.1, above.

Previously, surplus arising on revaluation of an item of property, plant and equipment was credited to surplus on revaluation of property, plant and equipment and surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged (net of deferred tax) on the related assets was transferred to unappropriated profit through statement of comprehensive income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus was transferred to unappropriated profit through statement of comprehensive income.

Now, surplus arising on revaluation of an item of property, plant and equipment is recognized in other comprehensive income and the surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged (net of deferred tax) on the related assets is transferred to unappropriated profit. In case of the sale or retirement of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the unappropriated profit.

Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

The change has been accounted for in accordance with IAS 8 -'Accounting Policies, Change in Accounting Estimates and Errors' and IAS 1-'Presentation of Financial Statements' (Revised). The Company has applied the change in accounting policy retrospectively.

Impact on these financial statements of this change is summarized below for the year ended June 30, 2017 and June 30, 2018 :

	June 30, 2018	June 30, 2017
	----------Rupees---------	
Impact on statement of comprehensive income		
Incremental depreciation for the year on revalued assets	(24,249,581)	(26,897,315)
Related deferred tax	7,032,378	10,842,920
Surplus on fixed assets revalued during the year	287,083,845	
Related deferred tax	(83,254,315)	

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	Freehold land	Building on freehold land - Factory	Building on freehold land - Residential	Plant & machinery	Electric installations	Mill equipment	Office equipment	Furniture and fixtures	Vehicles	Arms and ammunition	Total
					Owned						
					---Rupees---						
As at July 01, 2016											
Cost	139,153,296	186,561,368	37,536,920	935,255,342	28,584,644	39,067,618	3,728,635	1,354,000	15,753,988	43,620	1,387,039,431
Accumulated depreciation	-	(42,869,927)	(3,831,999)	(144,313,834)	(15,457,458)	(16,249,660)	(1,317,675)	(726,295)	(5,615,167)	(27,598)	(230,409,613)
Net book value	139,153,296	143,691,441	33,704,921	790,941,508	13,127,186	22,817,958	2,410,960	627,705	10,138,821	16,022	1,156,629,818
Year ended June 30, 2017											
Opening net book value	139,153,296	143,691,441	33,704,921	790,941,508	13,127,186	22,817,958	2,410,960	627,705	10,138,821	16,022	1,156,629,818
Additions	-	-	-	-	-	-	2,201,008	503,482	2,193,310	-	4,897,800
Disposals											
Cost	-	-	-	-	-	-	-	-	(725,418)	-	(725,418)
Accumulated depreciation	-	-	-	-	-	-	-	-	385,008	-	385,008
	-	-	-	-	-	-	-	-	(340,410)	-	(340,410)
Transferred from capital work in progress	-	2,526,471	-	-	-	-	-	-	-	-	2,526,471
Depreciation charged	-	(14,621,791)	(1,685,246)	(46,835,373)	(151,320)	(1,880,303)	(372,264)	(77,749)	(858,496)	(1,602)	(66,484,144)
Closing net book value	139,153,296	131,596,121	32,019,675	744,106,135	12,975,866	20,937,655	4,239,704	1,053,438	11,133,225	14,420	1,096,889,125
As at June 30, 2017											
Cost	139,153,296	189,087,839	37,536,920	935,255,342	28,584,644	39,067,618	5,929,643	1,857,482	17,221,880	43,620	1,393,738,284
Accumulated depreciation	-	(57,491,718)	(5,517,245)	(191,149,207)	(15,608,778)	(18,129,963)	(1,689,939)	(804,044)	(6,088,655)	(29,200)	(296,508,749)
Net book value	139,153,296	131,596,121	32,019,675	744,106,135	12,975,866	20,937,655	4,239,704	1,053,438	11,133,225	14,420	1,097,229,535
Year ended June 30, 2018											
Opening net book value	139,153,296	131,596,121	32,019,675	744,106,135	12,975,866	20,937,655	4,239,704	1,053,438	11,133,225	14,420	1,097,229,535
Additions	900,828	-	-	-	-	97,500	23,000	-	-	-	1,021,328
Disposals											
Cost	-	-	-	-	-	-	-	-	(143,900)	-	(143,900)
Accumulated depreciation	-	-	-	-	-	-	-	-	74,492	-	74,492
	-	-	-	-	-	-	-	-	(69,408)	-	(69,408)
Depreciation charged	-	(13,159,612)	(1,600,983)	(42,611,932)	(154,202)	(1,711,133)	(426,270)	(86,769)	(766,392)	(1,442)	(60,518,735)
Effect of revaluation during the year	139,601,876	87,979,660	2,688,976	53,634,997	3,178,336	-	-	-	-	-	287,083,845
Closing net book value	279,656,000	206,416,169	33,107,668	755,129,200	16,000,000	19,324,022	3,836,434	966,669	10,297,425	12,978	1,324,746,565
As at June 30, 2018											
Cost	279,656,000	206,416,169	33,107,668	755,129,200	16,000,000	39,165,118	5,952,643	1,857,482	17,077,980	43,620	1,354,405,880
Accumulated depreciation	-	-	-	-	-	(19,841,096)	(2,116,209)	(890,813)	(6,780,555)	(30,642)	(29,659,315)
Net book value	279,656,000	206,416,169	33,107,668	755,129,200	16,000,000	19,324,022	3,836,434	966,669	10,297,425	12,978	1,324,746,565
Annual rate of depreciation		*10%*	*5%*	*10%*	*10%*	*10%*	*10%*	*10%*	*20%*	*10%*	

5.1	Depreciation for the year has been allocated as under:	2018 Rupees	2017 Rupees
	Cost of sales	59,237,862	65,174,033
	Administrative expenses	1,280,873	1,310,111
		60,518,735	66,484,144

5.2 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery and electric installations would have been as follows:

Particulars	Cost	Accumulated depreciation	Net book value
	Balance as at June 30, 2018		
	--------------Rupees--------------		
Freehold land	113,284,803	-	113,284,803
Building on freehold land:			
Factory	174,466,886	144,535,961	29,930,925
Residential	27,993,594	12,735,740	15,257,854
Plant and machinery	1,222,340,872	643,405,858	578,935,014
Electric installations	28,584,644	15,762,980	12,821,664
	1,566,670,799	816,440,539	750,230,260
	Balance as at June 30, 2017		
	--------------Rupees--------------		
Freehold land	112,383,975	-	112,383,975
Building on freehold land:			
Factory	174,466,886	141,210,303	33,256,583
Residential	27,993,594	11,932,695	16,060,899
Plant and machinery	1,222,340,872	634,218,714	588,122,158
	1,537,185,327	787,361,712	749,823,615

5.3 The forced sale value of the revalued freehold land, factory building on freehold land, residential building on freehold land, plant and machinery and electric installations has been assessed at Rs.237.7 million, Rs. 154.8 million, Rs. 24.8 million, Rs. 528.6 million and Rs. 11.2 million, respectively

6 STORES AND SPARES

	2018 Rupees	2017 Rupees
Stores		
in hand	4,555,843	7,523,100
in transit	55,150	1,549,256
Spares	50,714,571	49,119,204
	55,325,564	58,191,560

7 STOCK IN TRADE

	2018 Rupees	2017 Rupees
Raw material	510,989,822	321,935,676
Work in process	19,350,099	19,457,017
Finished goods	43,318,063	26,467,202
Waste	4,529,434	5,414,446
	578,187,418	373,274,341

7.1 Stock in trade of Rs. 184.38 million is pledged as security with the banking company.

7.2 Stock in trade includes raw material of Rs. 6.95 million (2017: 5.27 million) and finished goods of Rs. 3.94 million (2017: Rs. 5.65 million) relating to garment division.

8 ADVANCES

	2018 Rupees	2017 Rupees
Considered good		
Against salary	1,246,194	1,339,694
To supplier	1,999,525	2,834,731
Advance income tax	41,370,664	23,523,238
	44,616,383	27,697,663

9 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2018 Rupees	2017 Rupees
Considered good		
Bank guarantee margin	2,500,200	2,500,200
Short term prepayments	298,748	1,585,238
	2,798,948	4,085,438

10 TAX REFUNDS DUE FROM GOVERNMENT

	2018 Rupees	2017 Rupees
Income tax	10,385,073	10,385,073
Sales tax	22,012,368	4,679,428
	32,397,441	15,064,501

11 CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash in hand		482,966	694,310
Cash at banks			
In current accounts		1,181,817	4,136,509
In deposit accounts	11.1	16,553,485	1,366,244
		17,735,302	5,502,753
		18,218,268	6,197,063

11.1 These carry interest at the effective rate ranging from 4% to 6% per annum (2017: 4% to 6% per annum).

12 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	2018 Rupees	2017 Rupees
Surplus on revaluation of fixed assets		
Opening balance	277,244,512	304,141,827
Surplus on fixed assets revalued during the year	287,083,845	-
Incremental depreciation for the year on revalued assets	(24,249,581)	(26,897,315)
Closing balance	540,078,776	277,244,512
Less: Related deferred tax		
Opening balance	(75,142,557)	(85,985,477)
Addition in surplus during the year	(83,254,315)	-
Incremental depreciation for the year on revalued assets	7,032,378	10,842,920
	(151,364,494)	(75,142,557)
	388,714,282	202,101,955

12.1 The Company has revalued its freehold land, building on free hold land, plant and machinery and electric installations on 30 June 2018. The revaluation exercise was carried out, by an indepedent valuer - M/s Harvester Services (Private) Limited, to replace the carrying amount of freehold land with current market value and building on free hold land, plant and machinery and electric installations with their depreciated market values.

12.2 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

13 DEFERRED LIABILITIES

	Note	2018 Rupees	2017 Rupees
Staff retirement gratuity - unfunded	13.1	41,097,799	38,432,071
Deferred taxation	13.2	248,218,551	211,158,073
		289,316,350	249,590,144

13.1 Staff retirement gratuity - unfunded

13.1.1 General description

The scheme provides terminal benefits for all employees who attains the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2017 using Projected Unit Credit Method. Significant assumptions for the determination of the defined obligation are discount rate and expected salary increase. Current year charge has been calculated based on the projected figures in actuary's report as at June 30, 2017.

		Note	2018 Rupees	2017 Rupees
13.1.2	The amounts recognized in the balance sheet are as follows:			
	Present value of defined benefit obligations		41,097,799	38,432,071
13.1.3	Movement in net liability recognized:			
	Balance at July 01,		38,432,071	36,024,394
	Expenses recognized in profit and loss account	13.1.4	18,399,959	17,605,968
	Benefits paid during the year		(15,734,231)	(11,079,793)
	Remeasurement (gain) / loss on obligation		-	(4,118,498)
	Balance at June 30,		41,097,799	38,432,071
13.1.4	Expenses recognized in the profit and loss account:			
	Current service cost		15,767,843	14,633,729
	Interest cost		2,632,116	2,972,239
			18,399,959	17,605,968
13.1.5	Principal actuarial assumptions used			
	Discount rate (per annum)		7.75%	7.75%
	Expected rate of salary increase (per annum)		6.75%	6.75%
	Expected average remaining working lives of participating employees		7 years	7 years

13.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Reworked defined benefit obligation Increase in assumptions	 Decrease in assumptions
		------------Rupees------------	
Discount rate	100 bps	-	41,238,951
Salary increase rate	100 bps	-	35,848,917

The above sensitivity analysis is based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.

13.2 Deferred taxation	2018 Rupees	2017 Rupees
Opening balance	211,158,073	244,647,555
Recognized in:		
Profit and loss account	(46,193,837)	(34,725,032)
Other comprehensive income	83,254,315	1,235,550
Closing balance	248,218,551	211,158,073
13.2.1 Components of deferred tax		
Taxable temporary differences in respect of		
Surplus on revaluation of fixed assets	83,254,315	75,142,557
Accelerated Tax depreciation	176,882,598	160,858,620
Deductible temporary differences in respect of	-	
Staff retirement gratuity	(11,918,362)	(11,529,621)
Minimum tax credit available for carry forward	-	(13,313,483)
Net taxable temporary difference	248,218,551	211,158,073

14 TRADE AND OTHER PAYABLES	Note	2018 Rupees	2017 Rupees
Trade creditors		19,806,933	10,836,325
Accrued liabilities and advances	14.1	109,007,230	104,534,463
Unclaimed workers' profit participation fund		8,528,953	8,493,953
Workers' profit participation fund	14.2	12,158,175	2,872,003
Workers' welfare fund		8,616,849	3,683,459
Other payables		98,682	513,815
		158,216,822	130,934,018

14.1 Accrued liabilities and advances

	2018 Rupees	2017 Rupees
Accrued liabilities	90,743,377	73,095,170
Advance from customers and brokers	18,263,853	31,439,293
	109,007,230	104,534,463

14.2 Workers' profit participation fund

	2018 Rupees	2017 Rupees
Opening balance	2,872,003	990,073
Interest on funds utilised in the Company's business	250,361	60,653
Less: Paid during the year	-	(1,050,726)
	3,122,364	-
Charge for the year	9,035,811	2,872,003
Closing balance	12,158,175	2,872,003

15 SHORT TERM BORROWINGS

	2018 Rupees	2017 Rupees
From banking companies		
Secured - under markup arrangements		
Cash finances	131,593,442	62,361,864
Running finance	-	124,967
	131,593,442	62,486,831
	131,593,442	62,486,831

15.1 The aggregate unavailed financing facilities available to the Company are Rs. 1,223.4 million (2017: 917.51 million).

15.2 Cash finances are secured against pledge of cotton bales, yarn and polyster and personal guarantee of directors of the Company. Cash finances are subject to mark up at the rate of 3 month KIBOR plus 1% per annum (2017: 3 month KIBOR plus 1% per annum).

Effective markup rate charged during the year ranges from 7.12% to 7.65% per annum (2017: 7.03% to 7.62% per annum).

16 CONTINGENCIES AND COMMITMENT

16.1 Contingencies

16.1.1 Demand for Sales tax for tax year 2014 amounting to Rs. 1,506,191/- (2017: Rs. 1,506,191/-) not acknowledged in view of pending appeal.

16.1.2 (i) The case of the Company for tax year 2014 was selected for total audit of income tax affairs in terms of section 177 read with section 214C of the Income Tax Ordinance, 2001 (the Ordinance). The assessment proceedings were finalized by raising a demand of Rs. 781,049/- (2017: Rs. 781,049/-) through order under section 122(4) of the Ordinance. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and expects a favorable outcome.

(ii) The notice for rectification under section 221 of the Ordinance was issued contending that the tax liability for tax year 2015 has not been calculated properly and the mistake being apparent requires rectification. While concluding the notice a demand of Rs. 4,614,372/- (2017: Rs. 4,614,372/-) was raised, which has not been recognised in these financial statements. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and expects a favorable outcome.

16.1.3 Demand for Gas Infrastructure Development Cess (GIDC) (representing difference between provision recognised in these financial statements and the amount mentioned on sui gas bills. amounting to Rs. 2.37 million (2017: Rs. 2.37 million) not acknowledged in view of pending appeal.

16.1.4 Bank guarantees aggregating to Rs. 37,742,200/- (2017: Rs. 37,742,200/-) and Rs. 10,000,000/- (2017: Rs. 10,000,000/-) issued on behalf of the Company, in favor of Sui Northern Gas Pipeline Limited for supply of gas and Excise and Taxation department for infrastructure cess respectively, were outstanding on balance sheet date.

17 SALES - NET

	Note	2018 Rupees	2017 Rupees
Local	17.1	4,075,888,280	3,419,590,298
Waste		85,365,397	64,473,239
		4,161,253,677	3,484,063,537
Less: Sales tax		(7,982,097)	(4,254,177)
Less: Commission on sales		(12,843,652)	(15,215,020)
		4,140,427,928	3,464,594,340

17.1 It includes sales of unstitched cloth amounting to Rs. 133 million (2017: Rs. 89.34 million).

			2018	2017
18	**COST OF SALES**	Note	Rupees	Rupees
	Raw material consumed	18.1	2,922,574,396	2,594,303,227
	Salaries, wages and other benefits		243,946,581	234,230,777
	Staff retirement benefits		15,087,966	14,436,893
	Fuel and power		341,152,566	301,334,396
	Packing material consumed		44,938,415	47,177,582
	Stores and spare parts consumed		195,547,422	49,942,172
	Insurance		3,389,873	2,652,892
	Repairs and maintenance		7,610,702	5,538,122
	Depreciation	5.1	59,237,862	65,174,033
	Others		5,891,111	2,874,353
			3,839,376,894	3,317,664,447
	Work in process			
	Opening stock		19,457,017	18,897,018
	Closing stock		(19,350,099)	(19,457,017)
			106,918	(559,999)
	Cost of goods manufactured		3,839,483,812	3,317,104,448
	Finished goods and waste			
	Opening stock		31,881,648	22,169,521
	Closing stock		(47,847,497)	(31,881,648)
			(15,965,849)	(9,712,127)
			3,823,517,963	3,307,392,321

		2018	2017
18.1	**Raw Material Consumed**	Rupees	Rupees
	Raw materials:		
	Opening	321,935,676	213,242,376
	Purchases	3,111,628,542	2,702,996,527
	Closing stock	(510,989,822)	(321,935,676)
		2,922,574,396	2,594,303,227

		2018	2017
19	**SELLING AND DISTRIBUTION EXPENSES**	Rupees	Rupees
	Salaries and other benefits	9,302,364	6,565,538
	Staff retirement benefits	1,103,998	1,056,358
	Promotional expenses	8,273,274	12,890,219
		18,679,636	20,512,115

			2018	2017
20	**ADMINISTRATIVE EXPENSES**	Note	Rupees	Rupees
	Directors' remuneration		6,018,756	5,584,194
	Salaries and other benefits		23,484,067	17,371,896
	Staff retirement benefits		2,207,995	2,112,716
	Charity and donations	20.1	35,445,000	15,310,000
	Postage and telephone		795,219	1,660,860
	Auditors' remuneration	20.2	424,000	424,000
	Rent, rates and taxes		199,699	198,195
	Electricity, gas and water		864,993	633,074
	Legal and professional		522,460	1,344,420
	Fee and subscription		535,512	945,485
	Entertainment		912,976	1,329,526
	Repairs and maintenance		675,948	957,869
	Vehicle running and maintenance		984,840	1,007,438
	Traveling and conveyance		10,949	488,830
	Printing and stationery		307,649	572,606
	Depreciation	5.1	1,280,873	1,310,111
	Insurance		180,269	210,373
	Others		1,709,647	2,101,371
			76,560,852	53,562,964

20.1 Charity and donations

	2018 Rupees	2017 Rupees
Socio Economic Development Foundation	19,000,000	-
Shaukat Khanum Memorial Cancer Hospital and Research Centre	1,500,000	1,000,000
Abdul Sattar Edhi Foudation	1,000,000	5,000,000
Al-khidmat Foundation Pakistan	1,000,000	600,000
Jamia Darululoom Karachi	1,000,000	200,000
Lahore Mental Health Association (Fountain House)	750,000	500,000
Leprosy Patients Welfare Trust	750,000	500,000
Sahara For Life Trust	1,000,000	500,000
Siut Trust	1,750,000	500,000
Trust For Education And Development Of Deserving Students (TEDDS)	1,500,000	500,000
Others	6,195,000	6,010,000
	35,445,000	15,310,000

20.2 Auditors' remuneration

	2018 Rupees	2017 Rupees
Statutory audit	400,000	400,000
Out of pocket expenses	24,000	24,000
	424,000	424,000

21 OTHER OPERATING EXPENSES

	2018 Rupees	2017 Rupees
Workers' profit participation fund	9,035,811	2,872,003
Workers' welfare fund	4,933,390	2,267,661
Loss on disposal of operating fixed assets	34,408	135,210
	14,003,609	5,274,874

22 FINANCE COST

	2018 Rupees	2017 Rupees
Mark up on:		
Short term borrowings	41,433,437	25,332,831
Workers' Profit Participation Fund	250,361	60,653
	41,683,798	25,393,484
Bank charges and commission	1,695,074	2,118,812
	43,378,872	27,512,296

23 OTHER INCOME

	2018 Rupees	2017 Rupees
Income from financial assets		
Interest on bank deposits	904,201	829,557
Income from assets other than financial assets		
Scrap sales	-	11,119
Others	1,305,466	1,059,297
	1,305,466	1,070,416
	2,209,667	1,899,973

24 PROVISION FOR TAXATION

	Note	2018 Rupees	2017 Rupees
Current tax			
For the year		56,859,295	34,840,747
Prior year		(11,317,509)	(43,204,794)
		45,541,786	(8,364,047)
Deferred tax	13.2	(46,193,837)	(34,725,032)
		(652,051)	(43,089,079)

24.1 Relationship between tax expenses and accounting profit	2018 Rupees	2017 Rupees
Profit before taxation	166,496,663	52,239,743
Current Taxation:		
Tax at applicable tax rate of 30% (2017: 1% minimum tax)	51,613,966	16,194,320
Tax effect of:		
Prior year tax expense	(11,317,509)	(43,204,794)
Permanent differences	(69,686,687)	(2,457,125)
Tax credits	(16,151,556)	(13,621,480)
	(45,541,786)	(43,089,079)

25 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2018 ----------Rupees----------			2017 ----------Rupees----------		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Managerial remuneration	2,313,046	1,721,333	8,091,697	2,150,000	1,532,796	5,535,504
Utilities	227,542	677,333	3,236,679	215,000	153,280	2,194,099
House rent	910,168	169,334	809,170	860,000	613,118	707,670
	3,450,756	2,568,000	12,137,546	3,225,000	2,299,194	8,437,273
Number of person	1	1	3	1	1	2

25.1 In addition, the above personnel have been provided with the Company maintained cars. The monetary value of running and maintenance expenses is Rs. 1,010,801/- (2017: Rs. 876,337/-).

25.2 Fee paid to indepenent director for attending meetings amounts to Rs. Nil /- (2017: Rs. 60,000/-).

26 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of Chief Executive Officer, Directors and Key Management Personnel. Remuneration to Chief Executive Officer, Directors and Key Management Personnel is disclosed in note 25 to the financial statements. Detail of the related party transactions during the year, other than those disclosed elsewhere in these financial statements, are as

Nature of Relationship	Name of Related Party	Nature of the transaction	2018 Rupees	2017 Rupees
Chief Executive Officer	Muhammad Arshad Saeed	Loan received during the year	33,150,000	51,760,000
		Loan repaid during the year	33,150,000	51,760,000

27 NUMBER OF EMPLOYEES	2018	2017
Total number of employees as at June 30,	919	877
Average number of total employees working during the year ended	903	887
Total number of factory employees as at June 30,	873	849
Average number of employees working in the factory during the year ended	859	859

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under oversight of the Board of Directors in line with the policies approved by the Board.

		2018	2017
28.1	**Financial instruments by category**	Rupees	Rupees
	Financial assets at amortized cost:		
	Long term deposits	3,698,560	3,702,560
	Trade debts	93,009,565	73,208,230
	Advances	1,246,194	1,339,694
	Trade deposits	2,500,200	2,500,200
	Cash and bank balances	18,218,268	6,197,063
		118,672,787	86,947,747
	Financial liabilities at amortized cost:		
	Trade and other payables	158,216,822	130,934,018
	Unclaimed dividend	436,749	378,824
	Accrued mark up on short term borrowings	5,899,879	4,722,396
	Short term borrowings	131,593,442	62,486,831
		296,146,892	198,522,069

28.2 Financial instruments and related disclosures

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risk measured and managed by the Company are explained below:

28.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Long term deposits	3,698,560	3,702,560
Trade debts	93,009,565	73,208,230
Advances	1,246,194	1,339,694
Trade deposits	2,500,200	2,500,200
Bank balances	17,735,302	5,502,753
	118,189,821	86,253,437

Due to the Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of customers is assessed taking into consideration their financial position and previous dealings and on its basis, individual credit limits are set. Moreover, the management regularly monitors and reviews customers' credit exposure. The credit risk exposure is limited in respect of bank balances as these are placed with the banks having good credit rating from international and local credit rating agencies.

The Company's most significant customers are industrial users of yarn. Aging analysis of trade debtors as at balance sheet date is as under:

	2018 Rupees	2017 Rupees
Not past due	92,874,481	65,500,424
Past due	135,084	7,707,806
	93,009,565	73,208,230

28.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management.

The Company has liquid assets of Rs. 114.97 million (2017: Rs. 83.25 million) and unavailed short term borrowing facilities of Rs. 1,223.4 millions (2017: 917.51 millions) (Refer to Note 15.1) as at the balance sheet date against trade and other payables, accrued mark up on short term borrowings and short term borrowings of Rs. 295.71 million (2017: Rs. 198.14 million) to manage the liquidity risk.

28.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from short term borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit and loss account.

Had the interest rate been increased / decreased by 100 basis points at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 1.19 million (2017: Rs. 0.67 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The exposure to currency risk arises from import purchases.

The Company has no significant transactions in foreign currency therefore, it is not exposed to currency risk.

iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to any equity price risk.

28.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

28.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may obtain / repay long term financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt comprises of short term borrowings as shown in the balance sheet. Total equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

The salient information relating to capital risk management of the Company as at June 30, is as follows:

	Note	2018 Rupees	2017 Rupees
Debt	15	131,593,442	62,486,831
Less: Cash and cash equivalents	11	(18,218,268)	(6,197,063)
Net Debt		113,375,174	56,289,768
Total equity		1,510,676,175	1,175,697,931
Total capital		1,624,051,349	1,231,987,699
Gearing ratio		6.98%	4.57%

29 PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
Spindles installed / worked (No.)	38,448	38,448
Production at normal capacity in 20/S count based on 3 shifts per day (Kgs)	14,102,609	14,102,609
Actual production converted into 20/S count based on 3 shifts per day (Kgs)	12,476,494	12,475,095

29.1 Reason for low production

Under utilization of available capacity is due to change over in production mix and normal maintenance down time.

30 RECLASSIFICATION

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in the Companies Act, 2017. The fifth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassification has been made during the year:

Particulars	Note	From	To	Rupees
Unclaimed dividend	14	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	436,749

31 GENERAL

Figures have been rounded off to the nearest Rupee.

32 Events after the balance sheet date

The Board of Directors in its meeting held on 12 September 2018, has proposed a final cash dividend of Rs.2 per share (2017: nil) for approval of the members at the Annual General Meeting to be held on 4th October, 2018 .

33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on 12 September 2018 .

CHIEF EXECUTIVE OFFICER

DIRECTOR

PATTERN OF SHAREHOLDING

1. Incorporation Number **21882**

2. Name of the Company **RESHAM TEXTILE INDUSTRIES LIMITED**

3. Pattern of holding of the shares held by the shareholders as at 30 June 2018

	------Shareholding------		
4. No. of Shareholders	**From**	**To**	**Total Shares Held**
28	1	100	139
31	101	500	14,786
5	501	1,000	4,015
6	1,001	5,000	12,000
1	5,001	10,000	10,000
1	15,001	20,000	19,419
1	25,001	30,000	29,100
1	30,001	35,000	32,299
2	50,001	55,000	101,685
1	65,001	70,000	66,000
1	80,001	85,000	82,164
1	100,001	105,000	100,500
1	140,001	145,000	143,846
1	150,001	155,000	153,968
1	165,001	170,000	166,452
1	195,001	200,000	200,000
3	285,001	290,000	863,073
1	345,001	350,000	346,000
1	440,001	445,000	444,620
1	550,001	555,000	553,991
1	590,001	595,000	590,300
1	650,001	655,000	650,746
1	735,001	740,000	738,350
1	765,001	770,000	765,481
1	840,001	845,000	843,481
1	1,140,001	1,145,000	1,140,515
1	1,250,001	1,255,000	1,254,021
1	1,665,001	1,670,000	1,668,814
1	2,955,001	2,960,000	2,957,752
1	3,085,001	3,090,000	3,089,560
1	18,955,001	18,960,000	18,956,923
100			36,000,000

5. Categories of shareholders	**Share held**	**Percentage**
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	26,974,711	74.9298%
5.2 Banks Development Financial Institutions, Non Banking Financial Institutions.	119	0.0003%
5.3 Share holders holding 10% or more	23,871,456	66.3096%
5.4 General Public	9,005,065	25.0141%
5.5 Others (to be specified)		
1- Joint Stock Companies	5	0.0000%
2- Pension Funds	19,419	0.0539%
3- Others	681	0.0019%