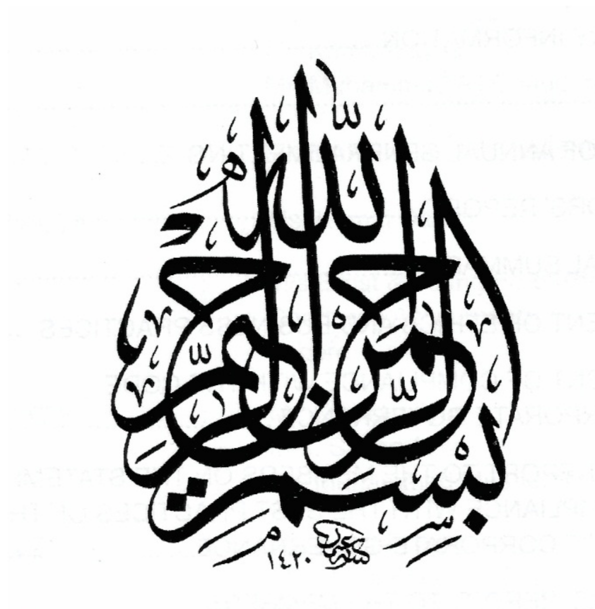

ANNUAL REPORT 2019

CONTENTS

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	:	Mr. Muhammad Arshad Saeed	
BOARD OF DIRECTORS	:	Ch. Rahman Bakhsh Mrs. Salma Aziz Ms. Kiran A. Chaudhry Mr. Kamran Ilyas Mr. Muhammad Ali Chaudhry Mr. Muhammad Musharaf Khan	
CHIEF FINANCIAL OFFICER	:	Mr. Muhammad Ali Chaudhry	
COMPANY SECRETARY	:	Mr. Muhammad Javed	
AUDITORS	:	M/s EY Ford Rhodes Chartered Accountants Lahore	
AUDIT COMMITTEE	:	Mr. Kamran Ilyas Mrs. Salma Aziz Mr. Muhammad Musharaf Khan	Chairman Member Member
HR - COMMITTEE	:	Mr. Kamran Ilyas Mr. Muhammad Ali Chaudhry Ms. Kiran A. Chaudhry	Chairman Secretary Member
BANKERS	:	National Bank of Pakistan Bank Alfalah Limited Askari Bank LImited Al Baraka Bank (Pakistan) Ltd. Faysal Bank Limited	
SHARE REGISTRAR	:	Resham Textile Industries Limited	
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 30th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on October 28, 2019 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, 2019, together with the Directors' and Auditors' report thereon.

3. To appoint auditors for the year ending June 30, 2020 and fix their remuneration.

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

By Order of the Board

Muhammad Javed
Company Secretary

Lahore: October 08, 2019

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22 October 2019 to 28 October 2019 (both days inclusive).

2. Notice to Members who have not Provided CNIC SECP vide Notification S.R.O. 19(1)/2014 dated 10th January 2014 read with Notification S.R.O 831(1)/2012 dated 5th July 2012 require that the dividend warrant(s) should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, in case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with the directives of SECP and therefore will be constrained under SECP order dated July 13, 2015 to withhold the dispatch of dividend warrants of such shareholders. The shareholders while sending CNIC must quote their respective folio number and name of the Company

   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. Pursuant to the provisions of the Finance Act, 2019 effective from July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

   i. For the persons whose names are appearing on ATL. 15%.
   ii. For the persons whose names are not appearing on ATL. 30%.

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on “Filer/ Non-Filer” status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and jointholder(s) in respect of shares held by them to us, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint-holder(s).

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, 2019.

Performance Review

The year under review was a very difficult year for the textile industry but due to good closing inventory of Cotton (Rs.504,033,179) at good price, the company made profit amounting to Rs.101,211,044 in the first quarter. However, the later months October 2018 to January 2019 showed gross loss and the operations went into red. Later, however, due to subsidy on gas and electricity by the Government for 5 export oriented sectors, situation improved somewhat and the year ended with a gross profit of Rs.259,492,855. So, Alhamdulillah on the whole, the company did fairly well compared to other comparable textile units which did not have good opening inventory.

Cotton crop conditions as also political uncertainties and deteriorating relations with India had a bearing on business, especially in the area of exports. US Dollar had appreciated to Rs.121.15 at the close of previous year, which has jumped to the rate of Rs.164 (30 June 2019) and exports declined due to cost of doing business as also effects of the mini budget.

The financial results in tabulated form are given below and details may be perused in other sections of this report:-

	2019 Rupees	2018 Rupees
Sales-net	3,815,898	4,140,428
Cost of sales	(3,556,405)	(3,823,518)
Gross profit	259,493	316,910
Selling and distribution expenses	(14,287)	(18,680)
Administrative expenses	(71,393)	(76,561)
Other operating expenses	(9,170)	(14,003)
	(94,850)	(109,244)
Other income	5,791	2,210
Operating Profit	170,434	209,876
Finance Costs	(73,053)	(43,379)
Profit before taxation	97,381	166,497
Taxation	(29,979)	(39,834)
Profit for the year	67,402	126,663

Future Prospects:

The year starting July 2019 had the opposite effect of high closing inventory of cotton at Rs.834,246,649 and the results so far (30 September 2019) are not very promising and the first quarter is indicating a gross profit of Rs.68,865,597 only (approx.) as compared to profit of Rs.122,288,281 (s.p.l.y.). The conditionalities of IMF as reflected in the budget, abolishing of zero rating facility for the 5 export oriented sectors has virtually chocked the textile industry, which had barely shown results of government subsidy, partly due to abnormal depreciation of Rupee and lack of support by the government and the textile industry has gone deep into difficulties of cash flow. Inflation, high interest rates and unprecedented damage to cotton crop are other three major factors due to which even in the month of October good cotton is not available at affordable prices. Delegations of businessmen have been visiting the Prime Minister but apparently due to international commitments, the government has not been able to do much. Also, taxation measures adopted by new FBR policy is keeping almost all sectors of the industry depressed, particularly textile chain which is a major contributor of exports. Another major factor, which is generally downplayed in the country, is the trade incentives and consequent recessionary trend, set in motion by big economies.

Almost all factors except intelligent micro-management and hard work, which have now only a marginal contribution, the initiative lies with the Government to rescue the industry and we can only wish good luck to the Nation and wait and see. Tensions with India and other developments in the Middle East are adding another factor of uncertainty.

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Bank Alfalah Limited, Askari Islamic Bank. Al Baraka Bank (Pakistan) Limited, Faysal 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: October 08, 2019

Muhammad Arshad Saeed
(Chief Executive Officer)

FINANCIAL INFORMATION

	2019	2018	2017	2016	2015	2014
BALANCE SHEET						
(Rupees in thousand)						
Paid up Share Capital	360,000	360,000	360,000	360,000	360,000	360,000
Unappropriated Profit	672,260	721,476	613,596	535,330	539,159	446,894
Surplus on Revaluation of Fixed Assets	403,294	429,200	202,102	218,156	236,394	257,360
Total Equity	1,435,554	1,510,676	973,596	895,330	899,159	806,894
Deferred Liabilities	272,502	289,317	249,590	280,672	296,914	316,511
Long Term Advances	-	-	-	-	131	235
Current Liabilities	736,157	353,006	233,363	208,050	326,909	436,630
	2,444,213	2,152,999	1,658,651	1,602,208	1,759,507	1,817,630
Represented by:						
Fixed Assets	1,253,543	1,324,747	1,097,230	1,156,630	1,218,378	1,289,573
Capital work in progress	-	-	-	2,526	5,746	3,669
Other Assets	3,702	3,699	3,703	3,698	3,698	3,698
Current Assets	1,186,968	824,553	557,718	439,354	531,685	520,690
	2,444,213	2,152,999	1,658,651	1,602,208	1,759,507	1,817,630
PROFIT OR LOSS						
Sales	3,815,898	4,140,428	3,464,594	3,132,476	3,395,806	4,051,203
Cost of Sales	3,556,405	3,823,518	3,307,392	3,019,780	3,148,835	3,775,254
Gross Profit	259,493	316,910	157,202	112,696	246,971	275,948
Operating Profit	170,434	209,876	50,340	40,200	166,721	194,539
Profit Before Taxation	97,381	166,497	52,240	17,395	138,316	140,176
Profit After Taxation	67,402	126,663	95,329	3,354	103,246	90,901
EPS	1.87	3.52	2.65	0.09	2.87	2.53
Dividend %	20	30	10	-	12	15
PERCENTAGE TO SALES						
Gross Profit % age	6.80	7.65	4.54	3.60	7.27	6.81
Profit Before Taxation % age	2.55	4.02	1.51	0.56	4.07	3.46
Profit After Taxation % age	1.77	3.06	2.75	0.11	3.04	2.24
Admin & Selling Expenses % age	2.25	2.30	2.14	2.41	2.00	1.71

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, which comprise the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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 and other 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 30 June 2019 and of the profit and other 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 Auditor's 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 Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' 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.

Upon reading the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 and other 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.

Other Matter

The financial statements of Resham Textile Industries Limited for the year ended 30 June 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 12 September 2018.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sajjad Hussain Gill.

EY

EY Ford Rhodes
Chartered Accountants
Lahore: October 08, 2019

STATEMENT OF FINANCIAL

	Note	2019 Rupees	2018 Rupees Restated
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized, Issued, subscribed and paid up share capital	4	**360,000,000**	360,000,000
Capital reserves:			
Revaluation surplus on of property, plant and equipment - net of tax	5	**403,293,740**	429,200,214
Revenue reserve:			
Unappropriated profit		**672,260,481**	721,475,961
		1,435,554,221	1,510,676,175
Non-current liabilities			
Deferred liabilities	6	**272,502,487**	289,316,350
Current liabilities			
Trade and other payables	7	**187,195,803**	158,216,822
Unclaimed dividend		**495,707**	436,749
Accrued markup		**11,453,115**	5,899,879
Short term borrowings	8	**489,600,641**	131,593,442
Provision for taxation - income tax		**47,411,895**	56,859,295
		736,157,161	353,006,187
CONTINGENCIES AND COMMITMENTS	9		
		2,444,213,869	2,152,998,712

The annexed notes, from 1 to 32, form an integral part of these financial statements.

Chief Executive Officer

POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees Restated
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,253,543,399**	1,324,746,565
Long term deposits		**3,702,160**	3,698,560
		1,257,245,559	1,328,445,125
Current assets			
Stores and spare parts	11	**64,233,224**	55,325,564
Stock in trade	12	**911,217,208**	578,187,418
Trade debts	13	**97,689,278**	93,009,565
Advances	14	**1,639,280**	3,245,719
Trade deposits and short term prepayments	15	**3,124,241**	2,798,948
Balance with statutory authorities	16	**72,269,864**	73,768,105
Cash and bank balances	17	**36,795,215**	18,218,268
		1,186,968,310	824,553,587
		2,444,213,869	2,152,998,712

Director

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees Restated
Revenue from contracts with customers	18	**3,815,897,638**	4,140,427,928
Cost of revenue	19	**(3,556,404,783)**	(3,823,517,963)
Gross profit		**259,492,855**	316,909,965
Selling and distribution expenses	20	**(14,287,409)**	(18,679,636)
Administrative expenses	21	**(71,393,463)**	(76,560,852)
Other operating expenses	22	**(9,169,915)**	(14,003,609)
		(94,850,787)	(109,244,097)
Other income	23	**5,791,536**	2,209,667
Operating profit		**170,433,604**	209,875,535
Finance costs	24	**(73,053,077)**	(43,378,872)
Profit before taxation		**97,380,527**	166,496,663
Taxation	25	**(29,978,664)**	(39,833,881)
Profit for the year		**67,401,863**	126,662,782

The annexed notes, from 1 to 32, form an integral part of these financial statements.

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees Restated
Profit for the year	**67,401,863**	126,662,782
Other comprehensive income:		
Items not to be reclassified to profit or loss in subsequent periods:		
Revaluation surplus arising during the year - net of deffered tax	**-**	244,315,462
Measurement adjustments relating to deferred liability - gratuity	**1,476,183**	-
Total other comprehensive income - net of deferred tax	**1,476,183**	244,315,462
Total comprehensive income for the year	**68,878,046**	370,978,244

The annexed notes, from 1 to 32, form an integral part of these financial statements.

Chief Executive Officer **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**Rupees**	**Rupees**
Profit for the year before taxation	**97,380,527**	166,496,663
Adjustments for non cash and non operating items:		
Depreciation	**78,151,716**	60,518,735
Loss / (gain) on disposal of operating fixed assets	**(77,966)**	34,408
Provision for gratuity	**17,937,187**	18,399,959
Workers' Profit Participation Fund	**5,383,919**	9,035,811
Workers Welfare Fund	**3,691,141**	4,933,390
Finance costs	**73,053,077**	43,378,872
	178,139,074	136,301,175
Profit before changes in working capital	**275,519,601**	302,797,838
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spare parts	**(8,907,660)**	2,865,996
Stock in trade	**(333,029,790)**	(204,913,077)
Trade debts	**(4,679,713)**	(19,801,335)
Advances	**1,606,439**	928,706
Trade deposits and short term prepayments	**(325,293)**	1,286,490
Sales tax receivable	**(10,345,001)**	(17,332,940)
Increase / (decrease) in current liabilities:		
Trade and other payables	**18,482,461**	13,057,982
Unclaimed dividend	**58,957**	57,925
	(337,139,600)	**(223,850,253)**
Net cash (used in) / generated from operations	**(61,619,999)**	78,947,585
Finance costs paid	**(66,078,380)**	(41,945,778)
Gratuity paid	**(17,036,886)**	(15,734,231)
Income tax paid	**(43,820,803)**	(41,370,654)
Dividend paid	**(144,000,000)**	(36,000,000)
	(270,936,069)	**(135,050,663)**
Net cash flows used in operating activities	**(332,556,068)**	(56,103,078)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	**(11,378,744)**	(1,021,328)
Proceeds from disposal of operating fixed assets	**4,508,160**	35,000
Long term deposits	**(3,600)**	4,000
Net cash flows used in investing activities	**(6,874,184)**	(982,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	**358,007,199**	69,106,611
Net cash flows from financing activities	**358,007,199**	69,106,611
Net increase in cash and cash equivalents	**18,576,947**	12,021,205
Cash and cash equivalents at the beginning of the year	**18,218,268**	6,197,063
Cash and cash equivalents at the end of the year	**36,795,215**	18,218,268

The annexed notes, from 1 to 32, form an integral part of these financial statements.

Chief Executive Officer | **Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid up capital	Revaluation surplus	Unappropriated profit	Total
	……………………………Rupees…………………………			
Balance as at 01 July 2017	360,000,000	202,101,955	613,595,976	1,175,697,931
Profit for the year - restated	-	-	126,662,782	126,662,782
Other comprehensive income - restated				
Revaluation surplus arising during the year - restated	-	244,315,462	-	244,315,462
Incremental depreciation charged during the year - net	-	(17,217,203)	17,217,203	-
Interim dividend paid for the year ended 30 June 2018				
@ Rs. 1.0/- per share	-	-	(36,000,000)	(36,000,000)
Balance as at 30 June 2018 - restated	360,000,000	429,200,214	721,475,961	1,510,676,175
Profit for the year	-	-	67,401,863	67,401,863
Other comprehensive income				
Measurement adjustments relating to deferred liability - gratuit	-	-	1,476,183	1,476,183
Incremental depreciation charged during the year - net	-	(25,906,474)	25,906,474	-
Final dividend paid for the year ended 30 June 2018				
@ Rs. 2.0/- per share	-	-	(72,000,000)	(72,000,000)
Interim dividend paid for the year ended 30 June 2019				-
@ Rs. 2.0/- per share	-	-	(72,000,000)	(72,000,000)
Balance as at 30 June 2019	**360,000,000**	**403,293,740**	**672,260,481**	**1,435,554,221**

The annexed notes, from 1 to 32, form an integral part of these financial statements.

Chief Executive Officer **Director**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. CORPORATE AND GENERAL INFORMATION

Resham Textile Industries Limited (the Company) is a Public Unlisted, incorporated in Pakistan on 06 June, 1990 under the (repealed) Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017). The Company is engaged in manufacturing and sale of yarn and stitched and unstitched garments manufactured on outsourcing basis.

The geographical location and address of the Company's business units, including plant is as under:

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Where provision of and directive issued under the Act, differ from the IFRS standards, the provision of and directive issued under the Act 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 are presented in Pakistani Rupees which is also the Company's functional currency.

2.4 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statement and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 Useful lives, residual values and depreciation method of operating fixed assets

The Company reviews the appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation on items of property, plant and equipment on a regular basis. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available inside/outside the Company, as appropriate. Any change in these estimates in the future might affect the carrying amount of items of property, plant and equipment, with a corresponding effect on the depreciation charge, impairment and amortization of deferred credit.

The Company measures certain items of property, plant and equipment (as disclosed in note 10) at revalued amounts. In current year, the management has taken the fair value as depreciable amount whereas in prior years the depreciable amount was being calculated net of residual amounts of respective assets.

2.4.2 Provision for slow moving stock in trade and stores, spares and loose tools

The Company frequently reviews the stores, spares, loose tools and stock-in-trade for possible impairment. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

2.4.3 Allowance for expected credit losses (ECL)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except as stated in note 3.1 below.

3.1 Standard, interpretations and amendments to approved published accounting standards that became effective in 2019

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRS 2 - Classification and measurement of share based payment transactions

IAS 40 - Transfers of investment property (Amendments)

IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (Amendments)

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

The adoption of the above amendments, improvements to accounting standards, interpretations and standards did not have any effect on the financial statements, except for IFRS 15 and IFRS 9 which introduce the following changes

3.2 Changes in accounting policies due to the applicability of certain international financial reporting standards (IFRS)

3.2.1 IFRS 15 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires companies to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental cost of obtaining a contract and the cost directly related to fulfilling a contract.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the company is not required to restate the prior year results.

The Company is in the business of manufacture and sale of yarn and finished goods articles (till 31 September 2018) in the local market. Yarn and finished goods articles are sold on their own in separately identifiable contracts.

Changes in accounting policies resulting from application of IFRS 15

i) Revenue Recognition

Revenue from contracts with customers :

The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step-1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step-2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step-3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step-4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step-5 Recognise revenue when (or as) the Company satisfies a performance obligation

Mentioned below are different revenue streams of the Company and their terms of recognition of revenue after satisfying all the five steps of revenue recognition in accordance with IFRS 15.

a. **Sale of goods**

The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods have been transferred to the buyer.

b. **Interest income**

Interest income is recongnized using effective interest rate method.

Impact of adoption of IFRS 15 on these unconsolidated financial statements:

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company because there is mostly one performance obligation and revenue is recognized at a point of time except of the terminologies that are to be used in accordance with IFRS 15 as mentioned below and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

The effect of adopting IFRS 15 is only to the extent of change in terminologies as in accordance with IFRS 15 " Contract Liabilities" is used for " Advances from Customers".

ii) **Trade debts**

Trade debts are initially recognized at fair value and subsequently measured at amortized cost, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

3.2.2 IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9 - Financial Instruments from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that soley principle and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are soley principle and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplied approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Changes in accounting policies resulting from application of IFRS 9

i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets in the following measurement

- those to be measured subsequently at fair value (either through comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows whose cash represents solely payment of principal and interest are measured at amortized cost. Interest income from these financial assets are included in other income using the effective interest rate method. Any gain or loss arising on the derecognition is recognised directly in profit or loss and presented in other income / (other expense) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other income / (other expense). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expense) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expense) in the period in which it arises.

ii) Impairment of financial assets

In relation to the impairment of financial assets, the Company applies the Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised. The Company has adopted the simplified approach for measuring the impairment on its financial assets. Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include:

- Debt investments subsequently measured at amortized cost or at fair value through other comprehensive income;

- lease receivables;

- contract asset

- loan commitments and financial guarantee contracts.

iii) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

iv) Impacts of adoption of IFRS 9 on these unconsolidated financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018).The management has reviewed and assessed the Company’s existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Company. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Company's financial statements of prior year and accordingly no adjustment has been made to the figures reported in previous year. In addition to this, in the current year, ECL working has been performed and its impact is insignificant for the Company's financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

'The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on after)
IFRS 3 - Definition of a Business (Amendments)	01 January 2020
IFRS 3 - Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 - Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 - Leases	01 January 2019
IAS 1 & IAS 8 - Definition of Material (Amendments)	01 January 2020
IAS 12 - Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on after)
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 17	Insurance Contracts	1 January 2021
IFRS 1	First-time Adoption of IFRS	1 January 2013

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

3.4 Taxation

3.4.1 Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

3.4.2 Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at reporting date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax calculation is based on the rates that have been enacted or substantively enacted up to the statement of financial position date and are expected to apply to the period when the difference will be reversed. The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Last year deferred tax on revaluation surplus relating to property plant and equipment was calculated without adjusting the effect of revaluation surplus on land. The effect of this now has been rectified by restatement as follows:

	As at 30 June 2018		
	As previously reported	**Adjustments**	**Restated**
Effect on statement of financial position:			
Revaluation surplus on property, plant and equipment	**388,714,282**	**40,485,932**	**429,200,214**
Unappropriated profit	**761,961,893**	**(40,485,932)**	**721,475,961**
Effect on statement of profit or loss account:			
Profit for the year	**167,148,714**	**(40,485,932)**	**126,662,782**
Effect on statement of other comprehensive income:			
Revaluation surplus arising during the year -Net of deferred tax	**203,829,530**	**40,485,932**	**244,315,462**

3.5 Property, plant and equipment

a) Cost

Property, plant and equipment (except freehold land, buildings on freehold land, plant and machinery and electric installation) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold land, plant and machinery and electric installation are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses, if any.

A revaluation surplus is recorded in statement of other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognized in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Normal repairs and maintenance costs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of property, plant and equipment are taken to statement of profit or loss.

b) Depreciation

Depreciation on fixed assets is charged to the statement of profit or loss on reducing balance method so as to write off the depreciable amount of an asset over its estimated remaining useful life at the rates given in Note 10.

Depreciation commences from the month in which the asset is available for use and is ceased at the end of month, preceding the month in which asset is disposed off or de-recognized.

Residual value and the useful lives of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

d) Surplus on revaluation of property, plant and equipment

A revaluation surplus is recorded in statement of other comprehensive income (OCI) and presented as a separate part of equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Company's shareholders.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

3.6 Stores, spares and loose tools

These are valued at the lower of weighted average cost, which is carried at moving average, and net realizable value less provision for slow moving and obsolete items except for items in transit, which are valued at cost comprising invoice value, plus other charges paid thereon. Provision is made for slow moving and obsolete items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

3.7 Stock in trade

These are valued at the lower of cost and net realizable value except waste, which is valued at net realizable value determined on the basis of contract price. Cost is determined as under:

Raw material	- First in first out
Raw material in transit	- Invoice value plus other charges paid
Work in process	- Average
Finished goods	- Average
Waste	- Net realizable value

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

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

3.8 Trade and Other Liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.9 Staff Retirement Benefits

The Company operates an unfunded gratuity scheme to fulfil labour laws requirements for all its employees who are eligible under the scheme. Provision is made annually on the basis of actuarial valuation. Actuarial valuation was carried as on 30 June 2019 using the projected unit credit actuarial cost method. Actuarial gains and losses for defined benefit plans are recognized in the statement of other comprehensive income when they occur. Amounts recorded in the statement of profit or loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other charges in the net defined benefit asset (liability) are recognized in the other comprehensive income with no subsequent recycling to statement of profit or loss.

The calculation of the benefit requires assumptions to be made of future outcomes, the principle ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

3.10 Borrowings

Borrowings are recorded initially at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are included in accrued interest to the extent of the amount remaining unpaid.

3.11 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 are used. Gains and losses arising on retranslation are included in profit or loss for the period.

3.12 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.13 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

		Note	2019	2018
4	**AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		**Rupees**	Rupees
	36,000,000 (2018: 36,000,000) ordinary shares of Rs. 10 (2018: Rs.10) each fully paid in cash		**360,000,000**	360,000,000

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of tax

	Note	2019	2018
Surplus arising on revaluation of property, plant and equipment	**5.1**	**403,293,740**	429,200,214

		2019	2018
5.1	**Surplus on revaluation of property, plant and equipment**	**Rupees**	Rupees Restated
	Surplus as at 01 July	**540,078,776**	277,244,512
	Revaluation surplus arising during the year	**-**	287,083,845
	Transferred to unappropriated profit in respect of:		
	Surplus related to incremental depreciation charged during the year - net of deferred tax	**(25,906,474)**	(17,217,203)
	Related deferred tax liability	**(10,581,518)**	(7,032,378)
		(36,487,992)	(24,249,581)
		503,590,784	540,078,776
	Less: Related deferred tax liability		
	Opening deferred tax liability	**110,878,562**	75,142,557
	Deferred tax liability on surplus arising during the year	**-**	42,768,383
	Deferred tax liability of incremental depreciation transferred to unappropriated profit	**(10,581,518)**	(7,032,378)
		100,297,044	110,878,562
	Surplus on revaluation as at 30 June	**403,293,740**	429,200,214

The Company had revalued its freehold land, buildings, plant and machinery on 30 June 2018. The revaluation exercise was carried out by Harvester Services (Private) Limited to replace the carrying amount of these assets with their current market values.

		Note	2019	2018
6	**DEFERRED LIABILITIES**		**Rupees**	Rupees
	Deferred tax liabilities	**6.1**	**231,648,715**	248,218,551
	Staff retirements benefits - unfunded gratuity	**6.2**	**40,853,772**	41,097,799
			272,502,487	289,316,350

6.1 Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognized by the Company and the movements therein, during the current and prior reporting year.

			2019	2018
			Rupees	Rupees
6.1.1	**Deferred taxation**			Restated
	Opening balance		**248,218,551**	211,158,073
	Recognized in:			
	Profit and loss account		**(16,237,981)**	(5,707,905)
	Other comprehensive income		**(331,855)**	42,768,383
			(16,569,836)	37,060,478
	Closing balance		**231,648,715**	248,218,551
6.1.2	**Components of deferred tax**			
	Deferred tax liability on taxable temporary difference arising in respect of:			
	Accelerated tax depreciation and amortization		**145,699,808**	149,258,351
	Surplus on revaluation of property plant and equipment		**97,796,501**	110,878,562
			243,496,309	260,136,913
	Deferred tax asset on deductible temporary difference arising in respect of:			
	Staff retirement gratuity		**(11,847,594)**	(11,918,362)
			231,648,715	248,218,551

		Note	2019	2018
6.2	**STAFF RETIREMENT BENEFITS - UNFUNDED GRATUITY**		**Rupees**	**Rupees**
	Staff retirement benefits - gratuity	**6.2.1**	**40,853,772**	41,097,799
6.2.1	**Movement in the net liability recognized in the statement of financial position are as follows:**			
	Opening Balance		**41,097,799**	38,432,071
	Remeasurements charged to other comprehensive income		**(1,144,328)**	-
	Expense recognized during the year		**17,937,187**	18,399,959
	Payment made during the year		**(17,036,886)**	(15,734,231)
	Closing Balance		**40,853,772**	41,097,799
6.2.2	**Movement in the present value of defined benefit obligation**			
	Present value of fund obligation as at 01 July		**41,097,799**	38,432,071
	Current service cost		**15,412,287**	15,767,843
	Interest cost on defined benefit obligation		**2,524,900**	2,632,116
	Benefits paid during the year		**(17,036,886)**	(15,734,231)
	Remeasurements recongnized in Other Comprehensive Income		**(1,144,328)**	
	Present value of fund obligation as at 30 June		**40,853,772**	41,097,799
6.2.3	**The amounts recognized in the statement of profit or loss are as follows:**			
	Current service cost		**15,412,287**	15,767,843
	Interest income on plan assets		**2,524,900**	2,632,116
	Expense recognized in statement of profit or loss		**17,937,187**	18,399,959
	The charge for the year has been allocated as follows:			
	Cost of sales	**19**	**13,328,177**	15,087,966
	Distribution cost	**20**	**2,758,398**	1,103,998
	Administrative expenses	**21**	**1,850,612**	2,207,995
			17,937,187	18,399,959

6.2.4 Remeasurements recongnized in Other Comprehensive Income

Experience adjustments	**(1,144,328)**	-

6.2.5 Actuarial assumptions:

Discount rate (Percentage)	**14.25%**	7.75%
Expected salary increases	**13.25%**	6.75%
Retirement age	**60**	60
Mortality rates	**SLIC 2001 - 2005**	SLIC 2001 - 2005

6.2.6 Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 30 June 2019 on defined benefit obligation is as shown below:

Sensitivity level	Assumption	Impact on defined benefit obligation
+100 bps	Discount rate	38,396,692
-100 bps	Discount rate	43,661,994
+100 bps	Expected salary increase	43,771,832
-100 bps	Expected salary increase	38,253,418

The sensitivity analysis as above, have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the year end.

6.2.7 Estimated expense to be charged to profit or loss in financial year 2020

Current service cost	17,608,538
Interest cost on defined benefit obligation	5,119,303
	22,727,841

7 TRADE AND OTHER PAYABLES

	Note	2019 Rupees	2018 Rupees
Trade creditors		**11,334,320**	19,806,933
Accrued and contract liabilities	**7.1**	**136,052,293**	109,007,230
Unclaimed Workers' Profit Participation Fund		**8,462,348**	8,528,953
Workers' Profit Participation Fund	**7.2**	**18,963,555**	12,158,175
Workers' Welfare Fund		**12,307,990**	8,616,849
Other payables		**75,298**	98,682
		187,195,804	158,216,822

7.1 Accrued and contract liabilities

	Note	2019 Rupees	2018 Rupees
Accrued liabilities	**7.1.1**	**113,810,872**	90,743,377
Contract liabilities		**22,241,421**	18,263,853
		136,052,293	109,007,230

7.1.1 This includes gas infrastructure development cess and tariff payable on gas bills amounting to Rs. 20,706,641 and Rs. 15,733,030 respectively to Sui Northern Gas Pipelines Limited. The Company has obtained stay orders against these payables.

		Note	2019	2018
7.2	**Workers' Profit Participation Fund**		**Rupees**	Rupees
	Balance as at 01 July		**12,158,175**	2,872,003
	Interest on funds utilised in the Company's business	**24**	**1,421,461**	250,361
	Add: Charge for the year		**5,383,919**	9,035,811
			18,963,555	12,158,175
8	**SHORT TERM BORROWINGS - Secured**	**8.1**	**489,600,641**	131,593,442

8.1 Total funded facilities available from various financial institution amounted to Rs. 1,515 million (2018: Rs. 1,315 million). These facilities have been obtained under markup arrangement for working capital requirements and carry markup rate KIBOR plus 1% Per annum (2018: KIBOR plus 1% per annum) These facilities are secured against pledge of cotton bales and yarn and personal guarantee of the directors of the Company. These facilities are generally for a period of one year and renewed at the end of the period.

The aggregated unavailed facilities as at 30 June 2019 amounted to Rs. 105.4 million (2018: Rs. 823 million).

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The concerned Deputy Commissioner Inland Revenue (DCIR) amended the demand assessment order and raised the tax demand amounting to Rs. 781,049 for the tax year 2014 on ground of salary paid to some employees through cash, Hajj expense included in entertainment expense which are disallowed and short deduction of withholding tax on office rent. Being aggrieved by the orders of the DCIR, the Company has filed appeals before Commissioner Inland Revenue, Appeals [CIR(A)], which are pending adjudication. The Company expects favourable outcome so their is no need for creating provision.

9.1.2 The tax authorities issued the notice for rectification under section 221 of the Ordinance and raised a demand of Rs. 4,614,372 for the tax year 2015 contending that the tax liability for tax year 2015 has not been calculated properly and the mistake being apparent requires rectification. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), which are pending adjudication. The Company expects favourable outcome so their is no need for creating provision.

9.1.3 Demand for Sales tax for tax year 2014 amounting to Rs. 1,506,191 has been raised by the concerned authorities on ground of alleged default of sales of scrap without charging of the sales tax. Being aggrieved by the orders of the concerned authorities, the Company has filed appeals before Deputy Commissioner Inland Revenue, Appeals [DCIR(A)], which are pending adjudication. The Company expects favourable outcome so their is no need for creating provision.

9.1.4 Honorable Supreme Court of Pakistan vide its order dated 22 August 2014 directed that Gas Infrastructure Development Cess (GIDC), which was levied through GIDC Act 2011, was invalidly levied under Article 77 of the Constitution of Pakistan. Pursuant to the aforesaid decision, the Company has availed stay orders against current levy of Gas Infrastructure Development Cess (GIDC) under GIDC Act 2015. 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 (2018: Rs. 2.37 million) not acknowledged in view of pending appeal.

9.2 Commitments

9.2.1 Commitments, as at year end, in respect of guarantees given by the Company in favour of Sui Gas Pipe Line Limited amounted to Rs.37.74 million (2018: Rs. 37.74 million).

9.2.2 Commitments, as at year end, in respect of guarantees given by the Company in favour of Excise and Taxation amounted to Rs.10 million (2018: Rs. 10 million).

9.2.3 All commitments, as stated above, are due within one year, as at year end.

	Note	2019	2018
10 PROPERTY, PLANT AND EQUIPMENT		**Rupees**	Rupees
Operating fixed assets - at net book value	**10.1**	**1,253,543,399**	1,324,746,565

10.1 Operating fixed assets

	2019										
	Free hold land	**Building on freehold land - Factory**	**Building on freehold land - Residential**	**Plant and machinery**	**Electric installations**	**Mills equipment**	**Office equipment**	**Furniture and fixtures**	**Vehicles**	**Arms and ammunition**	**Total Assets**
	Rupees										
At 01 July 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**
Movement during the year											
Opening 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**
Additions - cost	-	-	2,333,817	-	-	141,500	840,680	24,500	8,038,247	-	**11,378,744**
Disposals											
Cost	-	-	-	-	-	-	3,155,450	752,622	2,467,500	-	**6,375,572**
Depreciation	-	-	-	-	-	-	559,919	114,993	1,270,466	-	**1,945,377**
	-	-	-	-	-	-	2,595,531	637,629	1,197,034	-	4,430,195
Depreciation for the year	-	(20,641,617)	(1,665,107)	(52,131,536)	(885,384)	(955,043)	(276,246)	(20,857)	(1,574,629)	(1,298)	**(78,151,716)**
Closing net book value 30 June 2019	279,656,000	185,774,552	33,776,378	702,997,664	15,114,616	18,510,479	1,805,337	332,683	15,564,009	11,680	**1,253,543,399**
Depreciation rate (%)	-	10	5	10	10	10	10	10	20	10	
As at 30 June 2019											
Cost	279,656,000	206,416,169	35,441,485	755,129,200	16,000,000	39,306,618	3,637,873	1,129,360	22,648,727	43,620	1,359,409,052
Accumulated depreciation	-	(20,641,617)	(1,665,107)	(52,131,536)	(885,384)	(20,796,139)	(1,832,536)	(796,677)	(7,084,718)	(31,940)	(105,865,654)
	279,656,000	185,774,552	33,776,378	702,997,664	15,114,616	18,510,479	1,805,337	332,683	15,564,009	11,680	**1,253,543,399**

	2018										
	Free hold land	**Building on freehold land - Factory**	**Building on freehold land - Residential**	**Plant and machinery**	**Electric installations**	**Mills equipment**	**Office equipment**	**Furniture and fixtures**	**Vehicles**	**Arms and ammunition**	**Total Assets**
	---------- Rupees ----------										
At 01 July 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
Movement during the year											
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 - cost	900,828	-	-	-	-	97,500	23,000	-	-	-	1,021,328
Disposals											
Cost	-	-	-	-	-	-	-	-	143,900	-	143,900
Depreciation	-	-	-	-	-	-	-	-	74,492	-	74,492
	-	-	-	-	-	-	-	-	69,408	-	69,408
Depreciation for the year	-	(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 30 June 18	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
Depreciation rate (%)	-	10	5	10	10	10	10	10	20	10	
As at 30 June 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)
	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

10.2 Depreciation charge for the year has been allocated as under:

	2019	2018
	Rupees	Rupees
Cost of sales	**74,614,878**	59,237,862
Administrative expenses	**3,536,838**	1,280,873
	78,151,716	60,518,735

10.3 The Company had revalued its freehold land, buildings, plant and machinery and electric installations on 30 June 2018. The revaluation exercise was carried out by Harvester Services (Private) Limited. Had there been no revaluation, the carrying value of these assets would have been Rs. 689.63 million (2018: Rs. 750.23 million). The forced sales value at revaluation date of freehold land, factory building on freehold land, plant and machinery and electric installations has been assessed at Rs.59.7 million, Rs. 173.8 million, Rs. 24.8 million, Rs. 528.6 million and Rs. 11.2 million, respectively

		Note	2019	2018
11	**STORES AND SPARES PARTS**		**Rupees**	Rupees
	Stores			
	- In hand		**4,468,340**	4,555,843
	- In transit		**20,121**	55,150
	Spares		**59,744,763**	50,714,571
			64,233,224	55,325,564
12	**STOCK IN TRADE**			
	Raw material		**834,246,649**	510,989,822
	Work in Process		**22,674,217**	19,350,099
	Finished goods	**12.1**	**54,296,343**	47,847,497
			911,217,208	578,187,418
12.1	**Finished goods include :**			
	Finished goods of Yarn		**46,354,468**	43,318,063
	Finished goods of waste		**7,941,875**	4,529,434
			54,296,343	47,847,497
13	**TRADE DEBTS**	**13.1**	**97,689,278**	93,009,565
13.1	These are unsecured but considered good by the company			
14	**ADVANCES**			
	Advances - unsecured, considered good			
	- to suppliers		**1,211,086**	1,999,525
	- to employees		**428,194**	1,246,194
			1,639,280	3,245,719
15	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Bank guarantee margin		**2,500,200**	2,500,200
	Short term prepayments		**624,041**	298,748
			3,124,241	2,798,948
16	**BALANCES WITH STATUTORY AUTHORITIES**			
	Sales tax receivable		**32,357,369**	22,012,368
	Income tax receivable		-	10,385,073
	Advance income tax		**39,912,495**	41,370,664
			72,269,864	73,768,105
17	**CASH AND BANK BALANCES**			
	Cash in hand		**714,674**	482,966
	Cash at bank:			
	Current accounts		**1,359,723**	1,181,817
	Saving accounts	**17.1**	**34,720,818**	16,553,485
			36,080,541	17,735,302
			36,795,215	18,218,268

17.1 These carry interest at the effective rate ranging from 4% to 10% per annum (2018: 4% to 6% per annum).

		2019	2018
18	**REVENUE FROM CONTRACTS WITH CUSTOMERS**	**Rupees**	Rupees
	Local:		
	Yarn	**3,740,064,861**	4,075,888,280
	Waste	**91,186,248**	85,365,397
		3,831,251,109	4,161,253,677
	Less:		
	Sales tax	**(4,615,273)**	(7,982,097)
	Commission on sales	**(10,738,198)**	(12,843,652)
	Net sales	**3,815,897,638**	4,140,427,928

		Note	2019	2018
19	**COST OF REVENUE**		**Rupees**	Rupees
	Raw material consumed	**19.1**	**2,815,398,985**	2,922,574,396
	Packing material consumed	**19.2**	**37,621,148**	44,938,415
	Stores and spares consumed	**19.3**	**52,116,735**	195,547,422
	Salaries, wages and benefits	**19.4**	**239,466,965**	259,034,547
	Insurance		**2,039,222**	3,389,873
	Fuel and power		**333,831,797**	341,152,566
	Depreciation	**10.2**	**74,614,878**	59,237,862
	Repair and maintenance		**4,227,159**	7,610,702
	Other		**6,860,858**	5,891,111
			3,566,177,747	3,839,376,894
	Add: Opening stock of Work in Process		**19,350,099**	19,457,017
	Less: Closing stock of Work in Process	**12**	**(22,674,217)**	(19,350,099)
			(3,324,118)	106,918
	Cost of goods manufactured		**3,562,853,629**	3,839,483,812
	Add: Opening stock of finished goods		**47,847,497**	31,881,648
	Less: Closing stock of finished goods	**12.1**	**(54,296,343)**	(47,847,497)
			(6,448,846)	(15,965,849)
			3,556,404,783	3,823,517,963

19.1	**Raw material consumed**			
	Opening balance		**510,989,822**	321,935,676
	Purchases		**3,138,655,812**	3,111,628,542
			3,649,645,634	3,433,564,218
	Less: Closing balance	**12**	**(834,246,649)**	(510,989,822)
	Raw material consumed		**2,815,398,985**	2,922,574,396
19.2	**Packing material consumed**			
	Opening balance		**4,555,843**	7,523,100
	Purchases		**37,533,645**	41,971,158
			42,089,488	49,494,258
	Less: Closing balance	**11**	**(4,468,340)**	(4,555,843)
	Packing material consumed		**37,621,148**	44,938,415

19.3 Stores and Spares Consumed

Opening balance		**50,714,571**	49,119,204
Purchases		**61,146,927**	197,142,789
		111,861,498	246,261,993
Less: Closing balance	**11**	**(59,744,763)**	(50,714,571)
Stores and spares consumed		**52,116,735**	195,547,422

19.4 This includes gratuity expense amounting to Rs. 13,328,177 (2018: Rs 15,087,966).

20 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	**20.1**	**10,790,778**	10,406,362
Promotional expenses		**3,496,631**	8,273,274
		14,287,409	18,679,636

20.1 This includes gratuity expense amounting to Rs. 2,758,398 (2018: Rs 1,103,998).

21 ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Directors' remuneration		**6,420,204**	6,018,756
Salaries and other benefits	**21.1**	**14,904,578**	25,692,062
Charity and donations	**21.2**	**38,120,000**	35,445,000
Postage and telephone		**653,208**	795,219
Auditors' remuneration	**21.3**	**495,000**	424,000
Rent, rates and taxes		**199,699**	199,699
Electricity, gas and water		**1,631,543**	864,993
Legal and professional		**318,000**	522,460
Fee and subscription		**459,798**	535,512
Entertainment		**1,105,037**	912,976
Repairs and maintenance		**450,168**	675,948
Vehicle running and maintenance		**1,104,959**	984,840
Travelling and conveyance		**1,700**	10,949
Printing and stationery		**319,297**	307,649
Depreciation	**10.2**	**3,536,838**	1,280,873
Insurance		**215,015**	180,269
Others		**1,458,419**	1,709,647
		71,393,463	76,560,852

21.1 This includes gratuity expense amounting to Rs. 1,850,612 (2018: Rs 2,207,995).

21.2 The directors or their spouses have no interest in the donees.

21.2.1 Break-up of charity and donations

Socio Economic Development Foundation	**11,100,000**	19,000,000
Shaukat Khanum Memorial Cancer Hospital and Research Centre	**2,000,000**	1,500,000
Abdul Sattar Edhi Foundation	**1,250,000**	1,000,000
Al-khidmat Foundation Pakistan	**1,000,000**	1,000,000
Jamia Darululoom Karachi	**-**	1,000,000
Lahore Mental Health Association (Fountain House)	**-**	750,000
Leprosy Patients Welfare Trust	**-**	750,000
Sahara For Life Trust	**-**	1,000,000
Siut Trust	**1,000,000**	1,750,000
Trust For Education And Development Of Deserving Students (TEDDS)	**1,050,000**	1,500,000
National Society For Mentally & Emotionaly Handicapped Children	**1,000,000**	-
Diamer Basha And Mohmand Dam Fund	**5,000,000**	-
Others	**14,720,000**	6,195,000
	38,120,000	35,445,000

21.3 Auditor's remuneration

Audit fee	**450,000**	400,000
Out of pocket expenses	**45,000**	24,000
	495,000	424,000

22 OTHER OPERATING EXPENSES

Workers' profit participation fund	**5,383,919**	9,035,811
Workers' welfare fund	**3,691,141**	4,933,390
Zakat	**94,855**	-
Loss on disposal of operating fixed assets	**-**	34,408
	9,169,915	14,003,609

23 OTHER INCOME

Interest income	**3,470,065**	904,201
Gain on disposal of operating fixed asset	**77,966**	-
Other	**2,243,505**	1,305,466
	5,791,536	2,209,667

24 FINANCE COSTS

Interest on:		
- Short term borrowings	**69,938,371**	41,433,437
- Workers' Profit Participation Fund	**1,421,461**	250,361
Bank charges and commission	**1,693,245**	1,695,074
	73,053,077	43,378,872

25 TAXATION

	Note	2019 Rupees	2018 Rupees
Current taxation			
Current year	**25.1**	**47,726,602**	56,859,295
Prior year		**(1,509,957)**	(11,317,509)
		46,216,645	45,541,786
Deferred taxation		**(16,237,981)**	(5,707,905)
		29,978,664	39,833,881

25.1 Relationship between tax expense and accounting profit

Profit before tax	**97,380,527**	166,496,663
Tax at applicable tax rate - under normal tax	**28,240,353**	48,284,032
Tax effect of prior year expense	**(1,509,957)**	(11,317,509)
Effect of inadmissible expenses	**38,897,972**	35,779,674
Effect of admissible expenses	**(15,004,066)**	(11,052,855)
Tax credit	**(4,407,657)**	(16,151,556)
	46,216,645	45,541,786

26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise local associated companies, directors, key management personnel, employee's gratuity and provident fund. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in Note 28 are as follows:

26.1

Name of the party	Relationship with the Company	Nature of transactions	Note	2019	2018
				Rupees	Rupees
Chief Executive Officer	Chief Executive Officer	Loan received during the year		**154,523,581**	33,150,000
		Loan repaid during the year		**154,523,581**	33,150,000
Director	Director	Loan received during the year		**7,500,000**	-
		Loan repaid during the year		**7,500,000**	-

26.2 Balances with related parties are mentioned in respective notes to the financial statements.

26.3 Transactions with key management personnel are disclosed in note 27 to these financial statements.

27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE EMPLOYEES

The aggregate amounts charged in the account for the year for remuneration, including all benefits to the Chief Executive, Director and Executive employees of the Company are as follows:

	Chief Executive Officer		Director		Executive Employees	
	2019	2018	**2019**	2018	**2019**	2018
	---- (Amount in Rupees) ----					
Remuneration	**2,453,944**	2,313,046	**1,826,192**	1,721,333	**6,089,692**	8,091,697
Housing	**981,578**	910,168	**730,477**	169,334	**2,435,878**	3,274,374
Utilities	**245,394**	227,542	**182,619**	677,333	**608,970**	818,594
	3,680,916	3,450,756	**2,739,288**	2,568,000	**9,134,540**	12,184,665
Number of persons	**1**	1	**1**	1	**3**	3

27.1 In Addition, the above personnel have been provided with the company maintained cars. The monetary value of running and maintenance expenses is Rs. 1,262,454 (2018: 1,010,801)

28 FINANCIAL RISK MANAGEMENT

28.1 Financial risk factors

Financial instruments comprise trade debts, advances, cash and bank balances, long term advances, trade and other payables, interest accrued on financing and short term borrowings.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

28.1.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however, to manage any possible exposure the Company applies approved credit limits to its customers.
The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy.

The Company is exposed to credit risk on long term deposits, trade debts, advances, deposits and bank balances. The maximum exposure to credit risk at the reporting date is:

	Carrying values	
	2019	2018
	Rupees	Rupees
Long term deposits	**3,702,160**	3,698,560
Trade debts – unsecured	**97,689,278**	93,009,565
Advances	**428,194**	1,246,194
Short term deposits	**2,500,200**	2,500,200
Bank balances	**36,080,541**	17,735,302
	140,400,373	118,189,821

The credit quality of financial assets can be assessed with reference to external credit ratings or the historical information about counter party defaults as shown below:

28.1.1.1 Trade debts

	2019	2018
	Rupees	Rupees
Neither past due nor impaired	**94,728,808**	92,874,481
Past due but not impaired		
1-90 days	**129,045**	-
91-180 days	**365,191**	135,084
180+	**2,466,234**	-
	97,689,278	93,009,565

28.1.1.2 Bank balances

Bank Name	Rating			**2019**	2018
	Agency	**Short Term**	**Long Term**	**Rupees**	Rupees
FAYSAL BANK Ltd.	PACRA	A-1+	AA	**21,675**	10,414
HABIB BANK Ltd.	PACRA	A-1+	AAA	**5,192,743**	3,420,786
MCB BANK Ltd.	PACRA	A-1+	AAA	**1,157,879**	3,705,151
MEEZAN BANK (ISLAMIC)	VIS	A-1+	AA+	**2,540,880**	509,979
BANK ALFALAH LTD	VIS	A-1+	AA+	**16,932,224**	511,117
NATIONAL BANK OF PAKISTAN	PACRA	A-1+	AAA	**173,736**	286,692
AL-BARAKA BANK LTD	PACRA	A-1	AA	**121,870**	77,857
HABIB METRO POLITAN BANK	PACRA	A-1+	AA+	**1,139,541**	9,168,611
ASKARI BANK LTD (ISLAMIC)	PACRA	A-1+	AA+	**8,770,776**	37,762
BANK OF PUNJAB	PACRA	A-1+	AA	**29,217**	6,933
				36,080,541	17,735,302

28.1.2 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 managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has unused borrowing limits available as referred in note 23. Furthermore available cash and bank balances are sufficient to meet any liquidity issues.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	---------- Rupees ----------				
30 June 2019					
Short term borrowings	489,600,641	489,600,641	489,600,641	-	-
Trade and other payables	187,195,803	187,195,803	187,195,803	-	-
Mark up accrued on loans	11,453,115	11,453,115	11,453,115	-	-
Unclaimed Dividend	495,707	495,707	495,707	-	-
	688,745,266	**688,745,266**	**688,745,266**	**-**	**-**

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2018					
Short term borrowings	131,593,442	131,593,442	131,593,442	-	-
Trade and other payables	158,216,822	158,216,822	158,216,822	-	-
Mark up accrued on loans	5,899,879	5,899,879	5,899,879	-	-
Unclaimed Dividend	436,749	436,749	436,749	-	-
Total financial liabilities	296,146,892	296,146,892	296,146,892	-	-

28.1.3 Market Risk

28.1.3.1 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. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the import purchases. The Company does not view hedging as financially viable.

Sensitivity analysis

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

28.1.3.2 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

28.1.3.3 Interest Rate Risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019 Rupees	2018 Rupees
Fixed rate instruments :		
Bank balance - saving accounts	**34,720,818**	16,553,485
Floating rate instruments :		
Financial liabilities		
Short term borrowings	**489,600,641**	131,593,442

Fair value sensitivity analysis for fixed rate instruments

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

	Changes in Interest Rate	Effects on Profit Before Tax 2019 Rupees	2018 Rupees
Cash flow sensitivity analysis for variable rate instruments			
Short term borrowings	+1%	**4,896,006**	**1,315,934**
	-1%	**(4,896,006)**	**(1,315,934)**

This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting date were outstanding for the whole year.

28.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

28.3 Financial instruments by categories

2019	Cash and cash equivalents	Amortized cost	Measured at FVTPL	Total
Assets as per reporting date				
Long term deposits	**-**	**3,702,160**	**-**	**3,702,160**
Trade debts	**-**	**97,689,278**	**-**	**97,689,278**
Advances	**-**	**1,639,280**	**-**	**1,639,280**
Cash and bank balances	**36,795,215**	-	**-**	**36,795,215**
	36,795,215	**103,030,718**	**-**	**139,825,933**

2018	Cash and cash equivalents	Amortized cost	Measured at FVTPL	Total
Assets as per reporting date				
Long term deposits	-	3,698,560	-	3,698,560
Trade debts	-	93,009,565	-	93,009,565
Advances	-	3,245,719	-	3,245,719
Cash and bank balances	18,218,268	-	-	18,218,268
	18,218,268	99,953,844	-	118,172,112

	2019 Financial liabilities at amortized cost	2018 Financial liabilities at amortized cost
Liabilities as per reporting date		
Trade and other payables	**187,195,803**	158,216,822
Interest accrued on financing	**11,453,115**	5,899,879
Short term borrowings	**489,600,641**	131,593,442
	688,249,559	295,710,143

28.4 Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.
The Company has not disclosed the fair values of these financial assets and liabilities as the management believes that these are for short term or reprice over short term, therefore, their carrying amounts are reasonable approximation of their fair values.

28.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratio in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus debt. Debt represent long-term financing (including current portion) and short term borrowings obtained by the Company as referred to in note 8. Total capital employed includes total equity as shown in the statement of financial position plus debt.

The gearing ratio as at year ended 30 June 2019 and 30 June 2018 is as follows:	**2019 Rupees**	2018 Rupees
Debt	**489,600,641**	131,593,442
Equity	**1,435,554,221**	1,510,676,175
Capital and debt	**1,925,154,862**	1,642,269,617
	25.43%	8.01%

29 PRODUCTION CAPACITY IN METRIC TONS

	2019	2018
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)	**10,331,910**	12,476,494

30 NUMBER OF EMPLOYEES

	2019	2018
Average number of employees	**907**	903
Closing number of employees	**905**	919

31 AUTHORIZATION

These financial statements were authorized for issue on October 08, 2019 by the Board of Directors of the Company.

32 GENERAL

Corresponding figures have been rearranged or restated, wherever necessary for the purpose of comparison, however no significant reclassification or restatement has been made in these financial statement except for the restatement of corresponding figures relating to deferred tax as explained in Note 3.4.2.

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 2019.

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
29	1	100	139
28	101	500	13,286
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
1	35,001	40,000	36,289
1	40,001	45,000	44,014
1	50,001	55,000	50,900
1	65,001	70,000	66,000
1	85,001	90,000	85,582
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	735,001	740,000	738,350
1	765,001	770,000	765,481
1	1,195,000	1,200,000	1,199,896
1	1,250,001	1,255,000	1,254,021
1	1,670,000	1,675,000	1,672,681
1	2,685,000	2,690,000	2,688,086
1	2,720,000	2,725,000	2,720,385
1	2,960,000	2,965,000	2,963,599
1	18,620,000	18,625,000	18,622,008
100			**36,000,000**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	26,967,505	74.9097%
5.2 Banks Development Financial Institutions, Non Banking Financial Institutions.	119	0.0003%
5.3 Share holders holding 10% or more	22,387,382	62.1872%
5.4 General Public	9,012,271	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%