



ANNUAL REPORT 2021

CONTENTS

COMPANY INFORMATION	3
MISSION	4
NOTICE OF ANNUAL GENERAL MEETING	5-6
DIRECTORS' REPORT	7-8
FINANCIAL INFORMATION.....	9
STATEMENT OF ETHICS AND BUSINESS PRACTICES...	10
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ...	11-13
STATEMENT OF FINANCIAL POSITION	14-15
STATEMENT OF PROFIT OR LOSS.....	16
STATEMENT OF COMPREHENSIVE INCOME	17
STATEMENT OF CHANGES IN EQUITY	18
STATEMENT OF CASH FLOWS	19
NOTES TO THE FINANCIAL STATEMENTS	20-48
PATTERN OF SHAREHOLDING	49
FORM OF PROXY	50

COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	:	Mr. Muhammad Arshad Saeed
DEPUTY MANAGING DIRECTOR	:	Mr. Muhammad Ali Chaudhry
DIRECTORS	:	Ch. Rahman Bakhsh Mr. Muhammad Musharaf Khan Mrs. Salma Aziz Mr. Kamran Ilyas Ms. Kiran A. Chaudhry
COMPANY SECRETARY	:	Mr. Muhammad Javed
AUDITORS	:	M/s Crowe Hussain Chaudhury & Co. Chartered Accountants Lahore
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 32nd Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on October 28, 2021 at 10.00 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, 2021 together with the Directors' and Auditors' report thereon.
3. To appoint auditors for the year ending June 30, 2022 and fix their remuneration.
4. To approve the final cash dividend @ Rs.1 per share i.e. 10%, as recommended by the board of Directors, in addition to an interim dividend already paid at Rs.2 per share i.e. 20% for the year ended June 30,2021.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Javed
Company Secretary

Lahore: October 05, 2021.

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22, 2021 to October 28, 2021 (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 1st July 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
 - i. Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL. 15%.

Annual Report

- ii. Rate of Withholding Income Tax deduction 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 joint holder(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.

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, 2021.

Performance Review

Alhamdulillah, this was a historic performance year in the short history of the company, mainly due to the effects of Covid-19, having diverted exports from several countries in the region and increased demand from the West, United States and China. Depreciation of Rupee also played a significant role in pushing the exports. Another important factor was the addition of new and modern production units in the country, encouraged by liberal State Bank loans such as TERF. Fortunately, the entrepreneurs of Pakistan have started importing high grade cotton from US and other sources, resulting in qualitative improvement and higher demand for their products in the foreign markets. The government also contributed in a major way by extending every possible facility to the export-oriented projects, which is very healthy and important change and is likely to continue in foreseeable future, Insha Allah. Government also initiated significant measures for encouraging agricultural products such as cotton, which augurs well for the next years.

The company also managed to emerge stronger from the negative effects of Covid-19 in the year 2019-20 with new strength and new technical management which have contributed significantly to the overall results during the year. Also, an investment of Rs. 76,925,917/- has been made by the company from own sources to further improve the quality and production of yarn. Overall, the company entered a new era of better prospects for the year 2020-21 and onwards, Insha Allah.

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

	2021	2020
	Rupees ('000)	
Sales	4,782,419	3,397,070
Cost of revenue	(3,972,022)	(3,191,509)
Gross profit	810,397	205,561
Selling and distribution costs	(26,185)	(24,380)
Administrative expenses	(81,612)	(60,307)
Other operating expenses	(48,770)	(5,064)
	(156,567)	(89,751)
Operating profit	653,830	115,810
Other income	6,353	9,410
Finance costs	(36,621)	(75,672)
Profit before taxation	623,562	49,548
Taxation	(191,157)	(19,183)
Net profit for the year	432,405	30,365

Annual Report

Future Prospects:

The management looks at the year ahead with more confidence, certainty and for solid reasons, which include a positive attitude of the State Bank of Pakistan, entrepreneurs and Federal government. It's a pleasure to write that pretax profit of first quarter of the year 2021-22 stands at Rs.270,054,050/- (unaudited). Alhamdulillah, we are very optimistic that the positive trend will continue in the short and medium terms not only for the textile industry but also for the overall industrial climate, particularly in the field of exports. Also, very good reports of enhanced and unexpected high prices and production of cotton in the country by about 10-15%. The grower is very happy for unprecedented prices and profitability along with better results of the government's efforts and I have no doubt that the area under cultivation of cotton will further increase next year which combined with positive intervention by the government, the country may have historic crop in 2021-22, unless something unforeseen changes the forecast otherwise. There is need, however, to seriously consider early sowing of cotton varieties in view of heavy rains and heat during the months of August, September and October, which has seriously affected the overall crop. This is a result of weather changes and needs to be considered.

Director Mr. Muhammad Ali Chaudhry with strong background in textile and banking including 5 years work experience at Royal Bank of Canada has been elevated as Deputy Managing Director and we hope he will introduce new initiatives in taking the company forward.

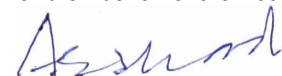
In view of the above, we have Masha Allah entered the new financial year with renewed strength and are taking new initiatives which augurs well for the profitability of the operations of the company and good news for the shareholders.

Acknowledgements

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

Lahore: October 05, 2021.

For and on behalf of the Board



Muhammad Arshad Saeed
(Chief Executive Officer)

FINANCIAL INFORMATION

	2021	2020	2019	2018	2017	2016
BALANCE SHEET						
(Rupees in thousand)						
Paid up Share Capital	360,000	360,000	360,000	360,000	360,000	360,000
Unappropriated Profit	1,043,237	663,686	672,260	721,476	613,596	535,330
Revaluation Surplus on Property, Plant and equipment-net of tax	593,650	379,953	403,294	429,200	202,102	218,156
Total Equity	1,996,887	1,403,639	1,435,554	1,510,676	1,175,698	1,113,486
Deferred Liabilities	301,113	224,109	272,502	289,316	249,590	280,672
Current Liabilities	502,182	734,013	736,157	353,006	233,363	208,050
	2,800,182	2,361,761	2,444,213	2,152,998	1,658,651	1,602,208
Represented by:						
Fixed Assets	1,429,429	1,196,494	1,253,543	1,324,747	1,097,230	1,156,630
Capital Work in Progress	1,200	-	-	-	-	2,526
Long Term Deposits	3,711	3,708	3,702	3,699	3,703	3,698
Current Assets	1,365,842	1,161,559	1,186,968	824,554	557,718	439,354
	2,800,182	2,361,761	2,444,213	2,153,000	1,658,651	1,602,208
PROFIT OR LOSS						
Sales	4,782,419	3,397,070	3,815,898	4,140,428	3,464,594	3,132,476
Cost of Revenue	3,972,022	3,191,509	3,556,405	3,823,518	3,307,392	3,019,780
Gross Profit	810,397	205,561	259,493	316,910	157,202	112,696
Operating Profit	653,830	115,809	164,642	209,876	50,340	40,200
Profit Before Taxation	623,562	49,548	97,381	166,497	52,240	17,395
Profit After Taxation	432,405	30,365	67,402	126,663	95,329	3,354
EPS	12.01	0.84	1.87	3.52	2.65	0.09
Dividend %	30	20	20	30	10	-
PERCENTAGE TO SALES						
Gross Profit % age	16.95	6.05	6.80	7.65	4.54	3.60
Profit Before Taxation % age	13.04	1.46	2.55	4.02	1.51	0.56
Profit After Taxation % age	9.04	0.89	1.77	3.06	2.75	0.11
Admin & Selling Expenses % age	2.25	2.49	2.25	2.30	2.14	2.41

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of **RESHAM TEXTILE INDUSTRIES LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss account, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss account, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the income, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director's 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as the 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, the 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

Annual Report

accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

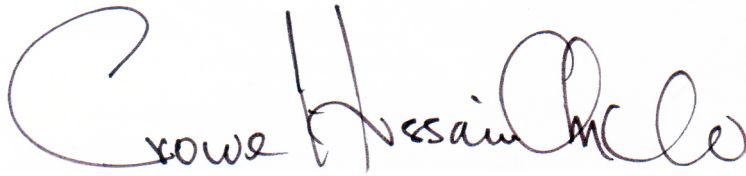
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended June 30, 2020 were audited by another auditor who expressed unmodified opinion of those financial statements on October 06, 2020.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nasir Muneer.



CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Lahore October 05, 2021

STATEMENT OF FINANCIAL

		2021	2020
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 36,000,000 (2020: 36,000,000) Ordinary shares of Rs. 10 each		36,000,000	36,000,000
Issued, subscribed and paid up share capital	4	360,000,000	360,000,000
Unappropriated profit		1,043,236,870	663,685,974
Revaluation surplus on property, plant and equipment - net of tax	5	593,649,958	379,953,135
		1,996,886,828	1,403,639,109
Non Current Liabilities			
Deferred liabilities	6	301,113,181	224,109,357
Current Liabilities			
Trade and other payables	7	273,480,740	154,967,094
Unclaimed dividend		840,359	542,184
Accrued markup		-	8,588,022
Short term borrowings	8	-	499,935,612
Sales tax payable - net		45,904,318	18,917,283
Provision for income tax		181,956,946	51,062,393
		502,182,363	734,012,588
Contingencies and Commitments	9	-	-
		2,800,182,372	2,361,761,054

The annexed notes, from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



POSITION AS AT JUNE 30, 2021

		2021	2020
	Note	Rupees	Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	10	1,430,628,784	1,196,494,193
Long term deposits		3,711,160	3,708,160
		1,434,339,944	1,200,202,353
Current Assets			
Stores and spare parts	11	70,793,238	58,397,033
Stock in trade	12	540,321,786	895,582,038
Trade debts	13	137,546,313	138,529,744
Loans and advances	14	2,449,432	11,047,123
Trade deposits and short term prepayments	15	2,851,933	2,958,270
Balance with statutory authorities	16	178,011,259	47,613,420
Cash and bank balances	17	433,868,467	7,431,073
		1,365,842,428	1,161,558,701
		2,800,182,372	2,361,761,054

R. S. Arshad

DIRECTOR

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
Sales (2020: Restated)	18	4,782,419,448	3,397,069,816
Cost of revenue	19	<u>(3,972,021,909)</u>	<u>(3,191,509,080)</u>
Gross Profit		810,397,539	205,560,736
Operating Expenses			
Selling and distribution costs (2020: Restated)	20	<u>(26,184,826)</u>	(24,380,134)
Administrative expenses	21	<u>(81,612,328)</u>	(60,307,366)
Other operating expenses	22	<u>(48,770,140)</u>	(5,064,110)
		(156,567,294)	(89,751,610)
Operating profit		653,830,245	115,809,126
Other income	23	6,353,205	9,410,482
Finance costs	24	<u>(36,621,656)</u>	<u>(75,671,529)</u>
Profit before Taxation		623,561,794	49,548,079
Taxation	25	<u>(191,156,763)</u>	(19,183,079)
Net Profit for the Year		<u>432,405,031</u>	<u>30,365,000</u>

The annexed notes, from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



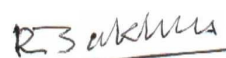
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

	2021 Rupees	2020 Rupees
Net profit for the year	432,405,031	30,365,000
Other comprehensive income:		
<i>Items that will not be re-classified subsequently to profit or loss</i>		
Surplus arising on revaluation of property, plant and equipment	296,347,006	-
Related deferred tax impact	(63,504,318)	-
	232,842,688	-
Experience adjustment on remeasurement of post employment benefit of the Company	-	7,534,798
Related deferred tax impact	-	2,185,091
	-	9,719,889
<i>Items that may be re-classified subsequently to profit or loss</i>	-	-
Other comprehensive income for the year	232,842,688	9,719,889
Total Comprehensive Income for the Year	665,247,719	40,084,889

The annexed notes, from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

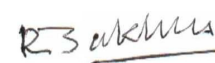
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021**

Particulars	Issued, subscribed and paid up Capital	Revenue reserve - Unappropriated profit	Capital reserve- Revaluation Surplus on Property, Plant and Equipment	Total
.....Rupees.....				
Balance as at June 30, 2019	360,000,000	672,260,480	403,293,740	1,435,554,220
Net profit for the year	-	30,365,000	-	30,365,000
Other comprehensive income	-	9,719,889	-	9,719,889
Total comprehensive income for the year	-	40,084,889	-	40,084,889
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	23,340,605	(23,340,605)	-
Transactions with owners recorded directly in equity				
1st Interim dividend paid during the year ended June 30, 2020 @ Rs. 1.0/- per share	-	(36,000,000)	-	(36,000,000)
2nd Interim dividend paid during the year ended June 30, 2020 @ Rs. 1.0/- per share	-	(36,000,000)	-	(36,000,000)
Balance as at June 30, 2020	360,000,000	663,685,974	379,953,135	1,403,639,109
Net profit for the year	-	432,405,031	-	432,405,031
Revaluation surplus on property, plant and equipment through other comprehensive income	-	-	232,842,688	232,842,688
Total comprehensive income for the year	-	432,405,031	232,842,688	665,247,719
Incremental depreciation charged on revalued property, plant and equipment during the year transferred to retained earning - net of deferred tax	-	19,145,865	(19,145,865)	-
Transactions with owners recorded directly in equity				
Interim dividend (Rs. 2/- per share) paid during the year ended June 30, 2021	-	(72,000,000)	-	(72,000,000)
Balance as at June 30, 2021	360,000,000	1,043,236,870	593,649,958	1,996,886,828

The annexed notes, from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	623,561,794	49,548,079
Adjustments for:		
- Depreciation on property, plant and equipment	10 65,890,672	67,504,517
- Gain on disposal of operating fixed assets	23 (2,058,043)	(588,086)
- Provision for post employment benefits	6.7 14,620,420	21,421,951
- Provision for workers' profit participation fund	22 33,738,549	2,877,032
- Provision for workers' welfare fund	22 15,031,591	2,187,078
- Interest income	23 (1,637,601)	(4,361,634)
- Finance costs	24 36,621,656	75,671,529
	<u>162,207,244</u>	<u>164,712,387</u>
Operating profit before working capital changes	785,769,038	214,260,466
(Increase) / decrease in current assets:		
- Stores and spare parts	(12,396,205)	5,836,191
- Stock in trade	355,260,252	15,635,171
- Trade debts	983,431	(40,840,466)
- Loans and advances	8,597,691	(9,407,843)
- Trade deposits and short term prepayments	106,337	165,971
- Long term deposits	(3,000)	(6,000)
Increase / (decrease) in current liabilities		
- Trade and other payables	67,304,462	(40,221,265)
- Sales tax payable	26,987,035	51,274,651
	<u>446,840,003</u>	<u>(17,563,590)</u>
Cash Generated from Operations	1,232,609,041	196,696,876
Finance costs paid	(42,770,634)	(75,608,176)
Gratuity paid	6.2.2 (10,427,156)	(28,185,962)
Income tax paid	(181,353,808)	(55,142,736)
Interest received	1,637,601	4,361,634
	<u>(232,913,997)</u>	<u>(154,575,240)</u>
Net Cash Generated from Operating Activities	999,695,044	42,121,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(9,950,214)	(11,767,226)
Sale proceeds from disposal of operating fixed assets	8,330,000	1,900,000
Net Cash Used in Investing Activities	(1,620,214)	(9,867,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings (repaid) / obtained	(499,935,612)	10,334,971
Dividends paid	(71,701,825)	(71,953,523)
Net Cash Used in Financing Activities	(571,637,437)	(61,618,552)
Net Increase / (Decrease) in Cash and Cash Equivalents	426,437,394	(29,364,142)
Cash and cash equivalents at the beginning of the year	7,431,073	36,795,215
Cash and cash equivalents at the end of the year	433,868,467	7,431,073

The annexed notes, from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1

The Company and its Operations

1.1 Legal status and nature of business

Resham Textile Industries Limited (the Company) is a public unlisted company, incorporated in Pakistan on June 06, 1990 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is engaged in manufacturing and sale of yarn.

1.2 The geographical locations and addresses of the Company's business units, including Mill's plant are as under:

- Head Office: The Company's registered office address is 36 A - Lawrence Road, Lahore.
- Mill: The Company's mill address is 1.5 km Habibabad in the Kasur district, Punjab.

Note 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; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of following:

Post employment benefits (Gratuity)	Note 6	(stated at present value)
Certain property, plant and equipment	Note 10	(stated at revalued amount)

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest Rupee, unless otherwise stated.

2.4 Key judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

- 2.4.1 Provision for post employment [Note 3.7 and 6.2]
- 2.4.2 Estimate of useful lives and residual values of property, plant & equipment (Notes 3.1 and 10)
- 2.4.3 Net realisable values of stock-in-trade and stores and spare parts (Notes 3.3, 3.4, 11 and 12)
- 2.4.4 Income tax expense, provision for current tax and recognition of deferred tax asset - (Note 3.8, 6 and 25)

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to published approved accounting standards effective during the year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation	Effective date (Period beginning on or after)
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2022 & January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2023
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IAS 12 Income Taxes [Amendments]	January 1, 2023
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Company will assess the impacts of these changes in the period of initial application once such changes become effective for the Company.

Notes 3

Significant Accounting Policies

3.1 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses, if any, except freehold land, buildings, plant and machinery and electric installations. Land is stated at revalued amount while building on freehold land, plant and machinery and electric installations are stated at revalued amount less accumulated depreciation and impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable costs of bringing assets to their working condition.

Depreciation

Depreciation is charged to statement of profit or loss account using reducing balance method at the rates specified in Note 10. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on assets disposed off during the month.

Revaluation

Freehold land; buildings on freehold land; plant and machinery; and electric installation are revalued every three years. Latest revaluation of said assets was carried out by an independent valuer as at March 08, 2021. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

Any revaluation increase arising on the revaluation of land; buildings on freehold land; plant and machinery; and electric installation is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land and building on freehold land is charged to profit or loss account to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset.

Each year the incremental depreciation, i.e. the difference between depreciation based on revalued carrying amount of the asset and depreciation based on the asset's original cost, is transferred from surplus on revaluation of property, plant and equipment to retained earnings. All transfers from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.



Judgement and estimate

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Impairment

The Company assesses at each reporting date whether there is any indication that property, plant and equipment is impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent cost is included in the carrying amount of an asset or recognized as a separate asset, as appropriate, only when it is probable that future economics benefit associated with the item will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit or loss account as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's profit or loss account.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating fixed assets as and when these are available for use.

3.2 Balances from contract with customers

Contract assets

A contract asset is the right to receive in exchange for goods transferred to the customer against which the invoice has yet to be raised.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

Right of return assets

Right of return assets represent the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.3 Stores and spares

These are valued at lower of moving average cost and net realizable value; whilst items considered obsolete are written off. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

3.4 Stock in trade

Recognition and measurement

These are valued at lower of cost and net realizable value. Cost is determined as follows:

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

Manufacturing cost in relation to work in process and finished goods comprises cost of materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price in the ordinary course of business less necessary costs to make the sale.

Judgments and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

3.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprises cash in hand and cash at banks in current and savings accounts.

3.6 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.7 Post employment benefits

Defined benefit plan

The Company operates a defined benefit plan and maintains an unfunded gratuity scheme for all of its permanent employees. Under this scheme, gratuity is paid to the retiring employees on the basis of their last drawn gross salary for each completed year of service.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefits plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of profit or loss account.

Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out at each reporting date.

3.8 Income tax expense

Income tax expense for the year comprises current and deferred tax and is recognized in the statement of profit or loss account except to the extent that relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

Current

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognized using the balance sheet method on all temporary differences between the carrying amount of assets, liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or have been notified for subsequent enactments at the reporting date.

3.9 Trade and other payables

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

3.10 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.11 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss account in the period in which they are incurred.

3.12 Related party transactions

Transactions in relation to sales, purchases and services to / from related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads shared with related parties, which are on actual basis.

3.13 Revenue recognition

Revenue is recognized when performance obligation is satisfied by applying following five steps of revenue recognition:

- i) Identify the contract with a customer
- ii) Identify the performance obligation in the contract
- iii) Determine the transaction price of the contract
- iv) Allocate the transaction price to each of the separate performance obligations in the contract
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation

The Company's contracts with customers for the sale of goods generally include one performance obligation for sales i.e. delivery of goods to the customers. Revenue of sales is recognized when goods are dispatched from the mill to the customer and control passes from the Company to the customer.

3.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.14.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost only. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

Initial recognition and measurement

All financial assets are initially measured at cost plus transaction costs that are directly attributable to its acquisition except for trade receivables. Trade receivables are initially measured at the transaction price.

Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized cost. 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, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.14.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

3.14.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.15 Dividend

Dividends are recognized as a liability in the period in which these are approved.



3.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at that date. There are three levels which are as under:

Level 1

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

When there is no quoted price in an active market, the Company determines transaction price by applying valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

Level 3

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to profit or loss account on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Annual Report

Note 4

Issued, Subscribed and Paid up Share Capital

2021	2020		2021	2020
Number of Shares			Rupees	Rupees
<u>36,000,000</u>	<u>36,000,000</u>	Ordinary share of Rs. 10 each fully paid in cash (Rupees)	<u>360,000,000</u>	<u>360,000,000</u>

- 4.1 No shares were issued or cancelled during the year.
- 4.2 All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.
- 4.3 There are no agreements with shareholders for any specific voting rights, board selection, rights of first refusal and block voting etc.

Note 5

Surplus on Revaluation of Property, Plant and Equipment - Net

	Note	2021 Rupees	2020 Rupees
Surplus on revaluation of property, plant and equipment	5.1	<u>593,649,958</u>	<u>379,953,135</u>

- 5.1 The revaluation surplus represents net cumulative increase in the carrying amount as a result of revaluation of property, plant and equipment carried at revalued amounts. Latest revaluation of property plant and equipment was carried out on March 08, 2021, by an independent valuer that resulted in revaluation surplus of Rs. 296.347 million. The following basis were used for revaluation:

Land - freehold	Market Value
Building on freehold land - factory	Market Value
Building on freehold land - residential	Market Value
Plant and machinery	Market Value
Electric installation	Market Value

- 5.2 The movement in surplus on revaluation of property, plant and equipment is as under:

	2021 Rupees	2020 Rupees
Opening balance - Revaluation surplus	470,716,692	503,590,784
Surplus arising on revaluation during the year:		
- Land - freehold	77,366,600	-
- Building on freehold land - factory	72,151,806	-
- Building on freehold land - residential	5,163,511	-
- Plant and machinery	135,629,366	-
- Electric installation	6,035,723	-
	<u>296,347,006</u>	<u>-</u>
	767,063,698	503,590,784
Related deferred tax	(146,447,733)	(90,763,557)

Transferred to unappropriated profit in respect of:

- Surplus related to incremental Depreciation charged during the year - net of deferred tax	(19,145,865)	(23,340,605)
- Related deferred tax liability	(7,820,142)	(9,533,487)
	(26,966,007)	(32,874,092)
Closing balance - Surplus on revaluation	593,649,958	379,953,135

- 5.3** The surplus on revaluation of property, plant and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

Note 6

Deferred Liabilities

	Note	2021 Rupees	2020 Rupees
Deferred tax liability	6.1	270,364,954	197,554,394
Present value of defined benefit obligations	6.2	30,748,227	26,554,963
		301,113,181	224,109,357

6.1 Deferred tax liability

Deferred tax liability / (asset) arising in respect of:

Taxable temporary differences:

- Accelerated tax depreciation and amortization	132,834,207	139,238,259
- Surplus on revaluation of property, plant and equipment	146,447,733	90,763,557
	279,281,940	230,001,816

Deductible temporary differences:

- Staff retirement benefits - unfunded gratuity	(8,916,986)	(9,886,030)
- Minimum tax	-	(22,561,392)
	(8,916,986)	(32,447,422)
	270,364,954	197,554,394

6.1.1 Reconciliation of deferred tax liabilities / (assets) - Net

Opening balance	197,554,394	231,648,715
Deferred tax income during the year recognised in profit or loss	(17,922,900)	(31,909,230)
Deferred tax expense / (income) during the year recognised in other comprehensive income	63,504,318	(2,185,091)
Tax credit utilized	27,229,142	-
Closing balance	270,364,954	197,554,394

- 6.1.2** Deferred tax assets / liabilities on temporary differences are measured at tax rate of 29%, as notified for subsequent years.

6.2 Defined benefit obligations

The Company maintains a defined benefit plan and operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2020. The management has used the estimate for the year 2021 given in the actuarial valuation report to measure estimated change in present value of defined benefit obligations for this reporting period. Following key information is included in that actuarial report:

Annual Report

6.2.1 Actuarial assumptions:

	<u>2020</u>
Discount rate used for year end obligation (Percentage)	8.50%
Expected rate of salary increase in future years	7.50%
Expected mortality rate for active members	As per SLIC (2001-2005) Mortality Table with one year setback
Actuarial valuation method	Projected Unit Credit Method

6.2.2 Company's liability

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Opening balance	26,554,963	40,853,772
Remeasurements charged to other comprehensive income	-	(7,534,798)
Charge for the year	14,620,420	21,421,951
Benefits paid to outgoing employees	(10,427,156)	(28,185,962)
Closing balance	<u>30,748,227</u>	<u>26,554,963</u>

6.2.3 Movement in the present value of defined benefit obligations

	<u>2021</u>	<u>2020</u>
Note	Rupees	Rupees
Opening balance	26,554,963	40,853,772
Current service cost	12,614,908	17,608,538
Interest cost on defined benefit obligations	2,005,512	3,813,413
Benefits paid during the year	(10,427,156)	(28,185,962)
Actuarial (gains) / losses from changes in financial assumptions	-	(518,416)
Experience adjustments	-	(7,016,382)
Closing balance	<u>30,748,227</u>	<u>26,554,963</u>

6.2.4 Charge for the year

Current service cost	12,614,908	17,608,538
Interest cost on defined benefit obligations	2,005,512	3,813,413
	<u>14,620,420</u>	<u>21,421,951</u>

6.2.5 Charge for the year has been allocated as under

Cost of revenue	19	12,782,751	18,729,384
Distribution cost	20	953,903	1,397,666
Administrative expenses	21	883,766	1,294,901
		<u>14,620,420</u>	<u>21,421,951</u>

6.2.6 Remeasurements chargeable in other comprehensive income

Experience adjustments - net of actuarial (gains) / losses	-	<u>(7,534,798)</u>
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6.2.7 Year end sensitivity analysis on defined benefit obligations

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	34,365,665	27,130,789
Salary increase	1%	34,847,991	26,648,463

6.2.8 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2021 Rupees	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees
Present value of defined benefit obligations	30,748,227	26,554,963	40,853,772	41,097,799	38,432,071
Fair value of plan assets	-	-	-	-	-
Retirement benefits liability	<u>30,748,227</u>	<u>26,554,963</u>	<u>40,853,772</u>	<u>41,097,799</u>	<u>38,432,071</u>

Note 7

Trade and Other Payables

	Note	2021 Rupees	2020 Rupees
Trade creditors		9,877,473	7,019,073
Accrued liabilities	7.1	133,345,386	95,625,904
Contract liabilities	7.2	31,111,065	4,482,530
Unclaimed Workers' Profit Participation Fund		8,462,348	8,462,348
Workers' Profit Participation Fund	7.3	60,946,626	24,769,033
Workers' Welfare Fund		29,526,659	14,495,068
Other payables		211,183	113,138
		<u>273,480,740</u>	<u>154,967,094</u>

7.1 This includes provision for Gas Infrastructure Development Cess (GIDC) amounting to Rs. 34,052,525 (2020: Rs. 31,155,583). The Company is contesting this levy with relevant authorities and judicial forums.

7.2 An amount of Rs. 3,472,335 was recognized in revenue from opening balance of contract liabilities.

	Note	2021 Rupees	2020 Rupees
7.3 Opening balance		24,769,033	18,963,555
Interest on funds utilized in the Company's business	24	2,439,044	2,928,446
Add: Charge for the year	22	33,738,549	2,877,032
Less: payment made		-	-
Closing balance		<u>60,946,626</u>	<u>24,769,033</u>

Annual Report

Note 8

Short Term Borrowings

	Note	2021 Rupees	2020 Rupees
Running finance	8.1	-	492,902,639
Booked overdraft		-	7,032,973
		-	499,935,612

- 8.1** The Company obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 1,335 million (2020: Rs. 1,615 million) towards working capital requirements and for retirement of local and foreign LCs. These facilities shall expire on various dates latest by December 31, 2021. Mark up on these facilities is charged from 1 to 3 months KIBOR plus a spread of 1% to 1.25% (2020: 1 to 3 months KIBOR plus a spread of 1% to 1.25%) payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on certain fixed assets, current assets and stocks of the Company; lien over import documents and personal guarantee of sponsoring directors of the Company. Funded and unfunded facilities yet to be utilized is Rs. 1,258 million (2020: Rs. 1,053 million).

Note 9

Contingencies and Commitments

9.1 Contingencies

- 9.1.1** In respect of Tax Year 2014, the Deputy Commissioner Inland Revenue (DCIR) amended the deemed assessment of the Company and raised the tax demand amounting to Rs. 781,049 on account of alleged inadmissibility 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. The Commissioner Inland Revenue, Appeals [CIR(A)] also upheld the view of the Department to the extent of partial amounts, for which the Company has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) for remaining items, which is pending adjudication. The Company expects favorable outcome and accordingly no provision has been recorded in these financial statements.
- 9.1.2** In respect of tax year 2015, the DCIR issued the notice for rectification dated June 08, 2015 under section 221 of the Income Tax Ordinance, 2001 and raised a demand of Rs. 4,614,372 for an alleged mistake in calculating the tax liability; on the basis of mistake being apparent from record and requiring rectification. On appeal, the Commissioner Inland Revenue (Appeals), remanded the case back to the Department. However, the name of the Company was selected for tax audit for the tax year 2015, and in pursuance thereof, the DCIR amended the deemed assessment for that tax year by passing order dated June 26, 2021 and creating tax demand of Rs. 8,446,107. The Company has filed appeal before Commissioner Inland Revenue (Appeals) against this order. The appeal is pending adjudication and the Company expects favorable outcome. Hence, no provision has been recorded in these financial statements in respect of this tax demand.
- 9.1.3** In respect of tax year 2005, an order under section 124/129 was passed by the concerned DCIR and later confirmed by Commissioner Inland Revenue (CIR) wherein tax demand of Rs. 6,652,858 was created on account of alleged incorrect proration of expenses on net sales (excluding sales tax) instead of Gross Sales (including sales tax). The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. No provision has been recorded in these financial statements for the contested tax demand since the Company expects a favorable outcome of the appeal.
- 9.1.4** Vide order dated August 31, 2020 passed u/s 11 of the Sales Tax Act, 1990, the DCIR created a tax demand of Rs. 7,807,281 by rejecting the admissibility of input tax claimed by the Company for the period from September 2013 to October 2018. The Commissioner Inland Revenue (Appeals) upheld the inadmissibility to the extent of Rs. 5,770,828. The Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against order dated November 20, 2020 passed by Commissioner Inland Revenue (CIR) and the appeal is pending adjudication. The Company expects favorable outcome and has not recorded a provision for contested tax demand.

9.2 Guarantees

The Company is liable for Bank guarantees arranged from different banks amounting to Rs. 52.741 million (2020: Rs. 52.741 million) that have been issued in favour of the following:

	2021 Rupees	2020 Rupees
Sui Northern Gas Pipelines Limited	42,741,000	42,741,000
Excise and Taxation	10,000,000	10,000,000
	52,741,000	52,741,000

9.3 Commitments

- Letters of credit	24,696,842	9,800,000
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Note 10

Property, Plant and Equipment

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	10.1	1,429,428,784	1,196,494,193
Capital work in progress	10.9	1,200,000	-
		1,430,628,784	1,196,494,193

10.1 Operating fixed assets

Year ended June 30, 2021

Description	Freehold 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
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cost / Revalued Amount											
As at July 01, 2020	279,656,000	206,416,169	35,441,485	761,779,200	16,000,000	39,306,618	3,637,873	1,413,727	24,724,276	43,620	1,368,418,968
Additions	-	-	-	1,600,000	-	-	73,500	53,188	7,023,526	-	8,750,214
Disposals during the year	-	-	-	-	-	-	-	-	(9,289,705)	-	(9,289,705)
Revaluation adjustment	-	(42,108,899)	(3,699,914)	(128,730,166)	(2,535,723)	-	-	-	-	-	(177,074,702)
Revaluation surplus	77,366,600	72,151,806	5,163,511	135,629,366	6,035,723	-	-	-	-	-	296,347,006
Balance as at June 30, 2021	357,022,600	236,459,076	36,905,082	770,278,400	19,500,000	39,306,618	3,711,373	1,466,915	22,458,097	43,620	1,487,151,781
Accumulated depreciation											
As at July 01, 2020	-	34,058,668	2,910,907	99,816,218	1,916,846	21,664,521	2,013,070	814,441	8,696,996	33,108	171,924,775
Charge for the year	-	13,961,707	1,250,320	46,887,111	1,073,877	781,544	166,155	26,248	1,742,658	1,051	65,890,672
Disposals during the year	-	-	-	-	-	-	-	-	(3,017,748)	-	(3,017,748)
Revaluation adjustment	-	(42,108,899)	(3,699,914)	(128,730,166)	(2,535,723)	-	-	-	-	-	(177,074,702)
Balance as at June 30, 2021	-	5,911,476	461,313	17,973,163	455,000	22,446,065	2,179,225	840,689	7,421,906	34,159	57,722,997
Balance as at June 30, 2021	357,022,600	230,547,600	36,443,769	752,305,237	19,045,000	16,860,553	1,532,148	626,226	15,036,191	9,461	1,429,428,784
Depreciation rates	-	10%	5%	10%	10%	10%	10%	10%	20%	10%	

Annual Report

Year ended June 30, 2020

Description	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
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cost / Revalued Amount											
As at July 01, 2019	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
Additions	-	-	-	6,650,000	-	-	-	284,367	4,832,859	-	11,767,226
Disposals during the year	-	-	-	-	-	-	-	-	(2,757,310)	-	(2,757,310)
Balance as at June 30, 2020	279,656,000	206,416,169	35,441,485	761,779,200	16,000,000	39,306,618	3,637,873	1,413,727	24,724,276	43,620	1,368,418,968
Accumulated depreciation											
As at July 01, 2019	-	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
Charge for the year	-	13,417,051	1,245,800	47,684,682	1,031,462	868,382	180,534	17,764	3,057,674	1,168	67,504,517
Disposals during the year	-	-	-	-	-	-	-	-	(1,445,396)	-	(1,445,396)
Balance as at June 30, 2020	-	34,058,668	2,910,907	99,816,218	1,916,846	21,664,521	2,013,070	814,441	8,696,996	33,108	171,924,775
Balance as at June 30, 2020	279,656,000	172,357,501	32,530,578	661,962,982	14,083,154	17,642,097	1,624,803	599,286	16,027,280	10,512	1,196,494,193
Depreciation rates	-	10%	5%	10%	10%	10%	10%	10%	20%	10%	



10.2 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2021 Rupees	2020 Rupees
Cost of sales	19	62,705,291	63,002,745
Administrative expenses	21	3,185,381	4,501,772
		<u>65,890,672</u>	<u>67,504,517</u>

10.3 As per the valuation report of independent valuer as of March 08, 2021. The management believes that these values approximate to the values as on June 30, 2021. The forced sales value is as per the following:-

	Market Value	Forced Sale Factor	Forced Sale Value
Land (Factory)	89,022,600	15%	75,669,210
Building (Factory)	264,495,144	25%	198,371,358
Plant and Machinery	770,278,400	30%	539,194,880
Electric Installation	19,500,000	30%	13,650,000
Land (Head Office)	268,000,000	15%	227,800,000
Building (Head Office)	8,869,014	25%	6,651,761
	<u>1,420,165,158</u>		<u>1,061,337,209</u>

10.4 Revalued land, building, plant and machinery and electric installations

On March 08, 2021, the company elected to measure land, buildings, plant and machinery and electric installations (classified as property, plant and equipment) using the revaluation model. The fair value of the company land, buildings, plant and machinery and electric installations are determined by an independent professionally qualified valuer.

10.5 Fair value measurements under revaluation model for property, plant and equipment

The fair value measurements of the company's land, building, plant and machinery and electric installations as at March 08, 2021 were performed by M/s Harvester Services Private Limited, who are independent valuers not related to the company. M/s Harvester Services Private Limited is on the panel of approved valuers of Pakistan Banks' Association.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings, plant and machinery and electric installations was determined using the cost approach that reflects the cost to a market participant to construct and purchase assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year. The fair value of revalued items of property, plant and equipment as on June 30, 2021 approximate to the revaluation amount estimated on March 08, 2021 by the independent valuer.

10.6 Fair value hierarchy

All assets are revalued using level 2 techniques of fair value hierarchy.

Annual Report

10.7 Security

As detailed in note 10, certain assets from property, plant and equipment have been presented for creating charge in respect of funded and unfunded facilities obtained from financial institutions.

10.8 Had there been no revaluation, book values of revalued assets would have been as follows:

	2021	2020
	Rupees	Rupees
Freehold land	113,284,803	113,284,803
Building on freehold land	43,171,851	45,825,574
Plant and machinery	488,002,215	519,254,444
Electric installations	10,807,646	11,508,702
	655,266,515	689,873,523

10.9 Capital Work in Progress

Additions to capital work in process for vehicles represent the advance given to car manufacturer for vehicle booking .Such car have not been delivered to the Company as on the reporting date.

10.10 Detail of disposals of vehicles

Asset	Cost	Book value	Sale Price	Gain / (Loss) on disposal	Particulars of the purchaser	Mode of disposal	Relationship with the purchaser
	Rupees	Rupees	Rupees	Rupees			
Vehicles							
ACX-219	2,510,428	2,447,667	2,850,000	402,333	Haris Naeem	Negotiation	Third Party
LEA-19A-1212	2,528,042	2,028,754	2,325,000	296,246	Resham Enterprises (the Entity)	Negotiation	3 partners of the entity are also directors of the Company
LEA-13-7978	1,595,540	597,001	1,200,000	602,999	Resham Enterprises (the Entity)	Negotiation	
LED-14-2976	1,839,560	786,023	1,210,000	423,977	Resham Enterprises (the Entity)	Negotiation	
	8,473,570	5,859,445	7,585,000	1,725,555			



Note 11

Stores and Spares

	2021	2020
	Rupees	Rupees
Stores in hand	6,704,940	3,447,074
Stores in transit	8,700	413,200
Spares	<u>64,079,598</u>	<u>54,536,759</u>
	<u>70,793,238</u>	<u>58,397,033</u>

Note 12

Stock in Trade

	2021	2020
	Rupees	Rupees
	Note	
Raw material	428,963,387	728,401,331
Work in Process	27,643,536	15,498,130
Finished goods	12	151,682,577
	<u>540,321,786</u>	<u>895,582,038</u>
12 Finished goods comprised of		
- Yarn	74,207,166	137,406,542
- Waste	9,507,697	14,276,035
	<u>83,714,863</u>	<u>151,682,577</u>

Note 13

Trade Debts

	2021	2020
	Rupees	Rupees
Considered good local sales	137,546,313	138,529,744
Less: Allowance for doubtful debts	-	-
	<u>137,546,313</u>	<u>138,529,744</u>

Note 14

Loans and Advances

	2021	2020
	Rupees	Rupees
	Note	
Advances to suppliers (Unsecured - Considered good)	1,890,238	10,408,929
Short term loans to employees (Unsecured - Considered good)	14.1	638,194
	<u>2,449,432</u>	<u>11,047,123</u>

14.1 This represents interest-free loans given to employees as per the Company's policy. These loans are recoverable from salary in monthly installments and are secured against gratuity balances.

Note 15

Trade Deposits and Short term Prepayments

	2021	2020
	Rupees	Rupees
Bank guarantee margin	2,500,200	2,500,200
Short term prepayments	351,733	458,070
	<u>2,851,933</u>	<u>2,958,270</u>

Annual Report

Note 16

Balance with Statutory Authorities

	2021	2020
	Rupees	Rupees
Tax deducted at source and advance tax	<u>178,011,259</u>	<u>47,613,420</u>

Note 17

Cash and Bank Balances

	2021	2020
	Rupees	Rupees
Cash in hand	114,123	-
Balances with banks:		
- Current accounts	392,594,414	926,322
- Saving accounts	17.1 <u>41,159,930</u>	<u>6,504,751</u>
	<u>433,868,467</u>	<u>7,431,073</u>

17.1 These carry interest at the effective rates ranging from 2% to 6.5% per annum (2020: 2.95% to 11.28% per annum).

Note 18

Sales - Net

	2021	2020
	Rupees	Rupees
Yarn sales	5,353,300,099	3,817,371,928
Waste sales	<u>242,130,670</u>	<u>159,305,726</u>
	5,595,430,769	3,976,677,654
Less: Sales tax	<u>(813,011,321)</u>	<u>(579,607,838)</u>
	<u>4,782,419,448</u>	<u>3,397,069,816</u>

18.1 All the revenue is recognized at a point in time.

Note 19

Cost of Sales

	2021	2020
	Rupees	Rupees
Raw material consumed	19.1 <u>3,043,499,159</u>	2,598,034,672
Stores and spares consumed	19.2 <u>192,362,709</u>	105,518,311
Salaries, wages and other benefits	19.3 <u>271,753,132</u>	218,539,762
Insurance	<u>908,480</u>	1,681,711
Fuel and power	<u>332,007,428</u>	285,653,669
Depreciation	10 <u>62,705,291</u>	63,002,745
Utilities and communication	<u>175,059</u>	175,077
Repair and maintenance	<u>9,012,176</u>	5,847,470
Other manufacturing expenses	<u>3,776,167</u>	3,265,810
	<u>3,916,199,601</u>	3,281,719,227
Work in progress		
- Opening stock	12 <u>15,498,130</u>	22,674,217
- Closing stock	12 <u>(27,643,536)</u>	(15,498,130)
	<u>(12,145,406)</u>	7,176,087
Cost of goods	<u>3,904,054,195</u>	3,288,895,314
Finished goods		
- Opening stock	12 <u>151,682,577</u>	54,296,343
- Closing stock	12 <u>(83,714,863)</u>	(151,682,577)
	<u>67,967,714</u>	(97,386,234)
	<u>3,972,021,909</u>	<u>3,191,509,080</u>



	Note	2021 Rupees	2020 Rupees
19.1 Raw material consumed			
Opening balance		728,401,331	834,246,649
Purchases		2,744,061,215	2,492,189,354
		<u>3,472,462,546</u>	<u>3,326,436,003</u>
Less: Closing balance	12	(428,963,387)	(728,401,331)
		<u>3,043,499,159</u>	<u>2,598,034,672</u>
19.2 Stores and spares consumed			
Opening balance		57,983,833	64,213,103
Purchases		205,163,414	99,289,041
		<u>263,147,247</u>	<u>163,502,144</u>
Less: Closing balance	11	(70,784,538)	(57,983,833)
Stores and spares consumed		<u>192,362,709</u>	<u>105,518,311</u>

19.3 This includes post employment benefits amounting to Rs. 12,782,751 (2020: Rs. 18,729,384).

Note 20

Distribution Cost

	Note	2021 Rupees	2020 Rupees
Salaries and other benefits	20.1	13,758,188	11,732,656
Commission		11,672,201	12,085,694
Vehicle running and maintenance		634,039	356,493
Miscellaneous expenses		120,398	205,291
		<u>26,184,826</u>	<u>24,380,134</u>

20.1 This includes post employment benefits amounting to Rs. 953,903 (2020: Rs. 1,397,666).

Note 21

Administrative Expenses

	Note	2021 Rupees	2020 Rupees
Directors' remuneration		6,720,000	6,645,051
Salaries and other benefits	21.1	14,036,089	11,503,070
Charity and donations	21.2	46,950,000	28,950,000
Postage and telephone		685,141	658,314
Auditors' remuneration	21.3	495,000	495,000
Rent, rates and taxes		102,680	117,984
Electricity, gas and water		1,507,019	1,442,487
Legal and professional		2,234,907	944,200
Fee and subscription		652,350	495,739
Entertainment		1,294,583	1,182,109
Repairs and maintenance		887,901	440,452
Vehicle running and maintenance		864,011	367,147
Printing and stationery		369,657	383,603
Depreciation	10	3,185,381	4,501,772
Insurance		370,367	119,487
Others	21.4	1,257,242	2,060,951
		<u>81,612,328</u>	<u>60,307,366</u>

21.1 This includes post employment benefits amounting to Rs. 883,766 (2020: Rs. 1,294,901).

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

21.3 Auditors' remuneration

Audit fee	450,000	450,000
Out of pocket expenses	45,000	45,000
	<u>495,000</u>	<u>495,000</u>

21.4 This included information system charges amounting to Rs. 991,516 (2020: Rs. 1,110,000)

Annual Report

Note 22

Other Operating Expenses

		2021	2020
	Note	Rupees	Rupees
Provision for:			
- Workers' profit participation fund	7.3	33,738,549	2,877,032
- Workers' welfare fund		15,031,591	2,187,078
		<u>48,770,140</u>	<u>5,064,110</u>

Note 23

Other Income

		2021	2020
		Rupees	Rupees
Interest income		1,637,601	4,361,634
Gain on disposal of operating fixed assets		2,058,043	588,086
Rental income		2,180,228	1,664,492
Miscellaneous income		366,869	2,508,370
Liabilities written back		110,464	287,900
		<u>6,353,205</u>	<u>9,410,482</u>

Note 24

Finance Cost

		2021	2020
		Rupees	Rupees
Interest on:			
- Short term borrowings		32,759,066	70,709,005
- Workers' Profit Participation Fund balances		2,439,044	2,928,446
Bank charges and commission		1,423,546	2,034,078
		<u>36,621,656</u>	<u>75,671,529</u>

Note 25

Taxation

		2021	2020
		Rupees	Rupees
Current			
- Current year		209,186,088	50,956,047
- Adjustment for prior years		(106,425)	136,262
		<u>209,079,663</u>	<u>51,092,309</u>
Deferred tax		(17,922,900)	(31,909,230)
		<u>191,156,763</u>	<u>19,183,079</u>

25.1 Reconciliation of tax charge for the year

Profit before taxation		<u>623,561,794</u>	<u>49,548,079</u>
Tax @ 29% (2020: 29%) on profit before taxation		180,832,920	14,368,943
Tax effect of add backs / allowed deductions		28,353,168	36,587,104
Adjustment for prior years		(106,425)	136,262
Deferred taxation		(17,922,900)	(31,909,230)
		<u>191,156,763</u>	<u>19,183,079</u>

The current tax expense for the year is calculated using corporate tax rate of 29% (2020: 1.5% minimum tax based on turnover). Deferred tax assets and liabilities on temporary differences are measured at 29%.



Note 26

Balances and Transaction with Related Parties

Related parties comprise directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Outstanding balances at the reporting date are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. Significant balances and transactions with related parties are as follows:

Related party	Relationship	Nature of Transaction	2021	2020
			Rupees	Rupees
Mr. Muhammad Arshad Saeed	CEO	Interest free loan received during the year	114,143,917	160,479,000
		Interest free loan repaid during the year	114,143,917	160,479,000
Ms. Kiran A. Chaudhry	Director	Interest free loan received during the year	10,844,000	27,170,000
		Interest free loan repaid during the year	10,844,000	27,170,000
Ch. Rahman Bakhsh	Director	Interest free loan received during the year	2,000,000	-
		Interest free loan repaid during the year	2,000,000	-

26.1 Following are the details of the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

S. No.	Company Name	Basis of Relationship	% of Shareholding
1	Mr. Muhammad Arshad Saeed	Chief Executive Officer	51.84%
2	Ms. Kiran A. Chaudhry	Director	7.56%
3	Ch. Rahman Bakhsh	Director	0.24%

Note 27

Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the financial statements for the year as remuneration and benefits paid to the chief executive officer, directors and executives of the Company are as follows:

	Chief Executive Officer		Director		Executives		Total	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Managerial remuneration	2,560,000	2,533,486	1,920,000	1,896,548	9,026,667	8,689,534	13,506,667	13,119,568
Housing	1,024,000	1,013,394	768,000	758,619	3,610,667	3,475,814	5,402,667	5,247,827
Utilities	256,000	253,349	192,000	189,655	902,667	868,953	1,350,667	1,311,957
Medical allowance	-	-	-	-	-	481,547	-	481,547
Gratuity paid	-	-	-	-	-	2,866,103	-	2,866,103
Vehicle running and maintenance	134,014	100,823	158,251	151,239	1,356,081	1,017,446	1,648,346	1,269,508
	3,974,014	3,901,052	3,038,251	2,996,061	14,896,082	17,399,397	21,908,347	24,296,510
Number of persons	1	1	1	1	7	4	9	6

27.1 An executive is defined as an employee, other than the chief executive officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

28.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to foreign entities. As at the reporting date, the Company's exposure to currency risk was as follows:

	2021	2020
	Rupees in thousand	
Outstanding commitments against letters of credit	(24,697)	(9,800)
Rupees per US Dollar		
Average exchange rate during the year	163.00	166.00
Reporting date rate	158.00	168.00

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.25 million (2020: Rs. 0.1 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. This sensitivity analysis reflects exposure as at the reporting date and is unrepresentative of the exposure during the year.

(ii) Price risk

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 any price risk.

(iii) 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's interest rate risk arises from balances with saving accounts and short term borrowings. As the rate of interest with saving accounts and borrowings made at variable rates, these expose the Company to cash flow interest rate risk. As at the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:



	2021	2020
	Rupees in thousand	
Floating rate instruments - Financial assets		
Balances with saving accounts	41,160	6,505
Floating rate instruments - Financial liabilities		
Short term borrowings	-	492,903

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit or loss. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the entire year.

	Change in interest rates (%)	Effect on profit or loss	
		Rupees in thousand	
		2021	2020
Bank saving accounts	1%	411.60	65.05
Short term borrowings	1%	-	(4,929.03)

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021	2020
	Rupees in thousand	
Long term deposits	3,711	3,708
Trade debts	137,546	138,530
Trade deposits and other receivables	2,852	2,958
Bank balances	433,754	7,431
The aging of trade debts as at the reporting date is as follows:		
Neither past due nor impaired	57,682	127,074
Past due but not impaired:		
1-90 days	41,027	528
91-180 days	24,828	10,724
180+ days	14,009	204
	137,546	138,530

The Company's exposure relating to credit risk relating to trade debt is disclosed in relevant notes to the financial statement. There are no significant debtors that are past due as at the reporting date.

Annual Report

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Bank Name	Rating			2021	2020
	agency	Short Term	Long Term		
Faysal Bank Limited	PACRA	A1+	AA	Rupees 4,102,499	Rupees 25,043
Habib Bank Limited	JCRVIS	A1+	AAA	11,143,353	328,821
MCB Bank Limited	PACRA	A1+	AAA	249,706	27,700
Meezan Bank Limited (Islamic)	JCRVIS	A1+	AA+	28,579,698	150,783
Bank Alfalah Limited	PACRA	A1+	AA+	74,943,448	254,824
National Bank of Pakistan	PACRA	A1+	AAA	70,589,202	486,515
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A	124,966,000	89,101
Habib Metropolitan Bank	PACRA	A1+	AA+	5,923,995	5,695,988
Askari Bank Limited (Islamic)	PACRA	A1+	AA+	113,227,393	302,786
The Bank of Punjab	PACRA	A1+	AA	29,050	69,512
				<u>433,754,344</u>	<u>7,431,073</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the reporting date, the Company has yet to be utilized available limit of Rs. 1,185 million (2020: Rs. 499.93 million) (both funded and unfunded) from financial institutions and Rs. 433.86 million (2020: Rs. 7.43 million) cash and bank balances. Following are the contractual maturities of financial liabilities:

Contractual maturities of financial liabilities as at June 30, 2021:

Carrying Amount	Contractual cash flows	Within 1 year	1-2 Year	2-5 Years	More than 5 years
----- Rupees in thousand -----					
Trade and other payables	143,434	143,434	143,434	-	-

Contractual maturities of financial liabilities as at June 30, 2020:

Carrying Amount	Contractual cash flows	Within 1 year	1-2 Year	2-5 Years	More than 5 years
----- Rupees in thousand -----					
Trade and other payables	102,758	102,758	102,758	-	-
Accrued interest	8,588	8,588	8,588	-	-
Short term borrowings	499,936	499,936	499,936	-	-
	<u>611,282</u>	<u>611,282</u>	<u>611,282</u>	<u>-</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.



28.2 Financial instruments by categories

Financial assets as at June 30, 2021

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Rupees in thousand				
Long term deposits	-	3,711	-	3,711
Trade debts	-	137,546	-	137,546
Trade deposits and other receivables	-	2,852	-	2,852
Cash and bank balances	-	433,868	-	433,868
	-	577,977	-	577,977

Financial assets as at June 30, 2020

	At Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Rupees in thousand				
Long term deposits	-	3,708	-	3,708
Trade debts	-	138,530	-	138,530
Trade deposits and other receivables	-	2,958	-	2,958
Cash and bank balances	-	7,431	-	7,431
	-	152,627	-	152,627

Financial liabilities at amortized cost - Balance as at June 30,

	2021	2020
Rupees in thousand		
Trade and other payables	143,434	102,758
Accrued mark-up	-	8,588
Short term borrowings	-	499,936
	143,434	611,282

28.3 Fair values of financial assets and liabilities

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

Note 29

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

Annual Report

As at the reporting date, the Company was not geared (2020: 26% geared) as given below:

	2021	2020
	Rupees in thousand	
Total borrowings	-	499,936
Cash and bank balances	(433,868)	(7,431)
Net exposure	(433,868)	492,505
Equity	1,996,887	1,403,639
Total capital employed	1,563,019	1,896,144
Gearing Ratio	Not Geared	26%

Note 30

Plant Capacity and Production

	2021	2020
Spindles installed / worked (Number)	38,448	38,448
Production at normal capacity based on 3 shifts per day (Kgs)	14,102,609	14,102,609
Actual Production based on 3 shifts per day (Kgs)	9,703,472	8,468,349

Note 31

Number of Employees

	2021	2020
Average number of employees during the year	873	721
Total number of employees at the end of year	921	537

Note 32

Subsequent Events

The Board of Directors in its meeting held on October 05, 2021, has proposed a final cash dividend @ Rs.1 per share for the year ended June 30, 2021, (2020: Rs. Nil) for approval of the members at the Annual General Meeting to be held on October 28, 2021. These financial statements do not reflect this dividend.

Note 33

Authorization of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issue on October 05, 2021.

Note 34

General

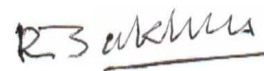
Figures in these financial statements have been rounded off to the nearest Pakistani Rupee, unless otherwise stated.

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. Following re-arrangement / reclassification has been made in these financial statements for better presentation that does not have any financial impact on financial statements:

Nature	From	To	Amount Rupees
Commission expense	Revenue	Selling and distribution costs	12,085,694
Advances from customers	Contract liabilities	Trade and other payables	4,482,530



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 2021.

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
29	1	100	139
24	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 children	26,970,839	74.9190%
5.2 Banks Development Financial Institutions, Non Banking Financial Institutions.	119	0.0003%
5.3 Share holders holding 10% or more	22,390,716	62.1964%
5.4 General Public	9,008,937	25.0248%
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%

FORM OF PROXY

Folio No. _____

No. of Shares Held _____

The Company Secretary,
Resham Textile Industries Limited,
36-A Lawrence Road,
Lahore.

I/We _____ of _____ (full address)

Being a member of RESHAM TEXTILE INDUSTRIES LIMITED hereby appoint Mr./Ms. _____
_____ (full address)

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of Share Holders of the Company to be held on Thursday, October 28, 2021 at 10.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2021.

Witness; (1)

Signature _____

Name _____

Address _____

CNIC No. _____

Revenue
Stamp Rs.50/-

Signature; _____

(The signature should agree with the specimen registered with the company)

Witness; (2)

Signature _____

Name _____

Address _____

CNIC No. _____

Folio No. _____

CDC A/c No. _____

No. of Shares held _____

Distinctive Numbers _____

IMPORTANT :

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Head Office at least 48 hours before the time of holding the meeting.
2. The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorized in writing. If the member is a corporation, its Common Seal should be affixed to the instruments.