



ANNUAL REPORT 2022

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	20-46
PATTERN OF SHAREHOLDING	47
FORM OF PROXY	48

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) Limited Meezan Bank Limited 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 33rd Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on October 27, 2022 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, 2022 together with the Directors' and Auditors' report thereon.
3. To appoint auditors for the year ending June 30, 2023 and fix their remuneration. The retiring auditors being eligible offer themselves for reappointment.
4. To approve the final cash dividend @ Rs.3.5 per share i.e. 35%, as recommended by the board of Directors. The Final Cash Dividend would be in addition to 40% Interim Cash Dividends already paid to the shareholders for the year ended June 30, 2022.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Javed
Company Secretary

Lahore: October 05, 2022.

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2022 to October 27, 2022 (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:

Annual Report

- i. Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL. 15%.
- 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, 2022.

Performance Review

Alhamdulillah the year under review was also a very good year as pretax profit of Rs.996,564,031/- was made by the company. Main factors were by and large, the same as last year when company made pretax profit of Rs.623,561,794/-. Essentially the depreciation of Rupee due to uncertainty at home and global effects of Ukraine war disturbing the international trade were the major factors. However, towards the end of the year there was beginning of some slowdown in exports and industrial activities having impact on local market as well.

The data for the period ended June 30, 2022 is given below in tabulated form. The details may be perused in other parts of this report:-

	2022	2021
	Rupees ('000)	
Sales	7,378,174	4,782,419
Cost of revenue	(6,136,539)	(3,972,022)
Gross profit	1,241,635	810,397
Selling and distribution costs	(39,541)	(26,185)
Administrative expenses	(113,944)	(81,612)
Other operating expenses	(73,193)	(48,770)
	(226,678)	(156,567)
Operating profit	1,014,957	653,830
Other income	38,769	6,353
Finance costs	(57,162)	(36,621)
Profit before taxation	996,564	623,562
Taxation	(382,720)	(191,157)
Net profit for the year	613,844	432,405

Future Prospects:

The country is in a very difficult situation as political uncertainty that started with change of government was followed by massive floods and Sindh, Baluchistan and South Punjab were very badly affected. The situation is still grim. The cost of the floods is anybody's guess but apparently the economy has suffered a major setback in history which may take several years to recover. Beside economic costs, the costs of rehabilitation are yet to be properly estimated. The areas affected by the flooding are major agriculture areas and cotton is major crop produced there, which was badly affected. The physical and human infrastructure was virtually destroyed. The human tragedy being so big, there has not been commensurate response from donors or even IMF. The government has just changed the Finance Minister in the hope of controlling the economy somewhat better. With Ukraine war and political uncertainty at home, it is my humble view that the economic conditions worldwide will take a few years to improve, if at all saner thinking on major issues starts. We do hope and pray that the government and other players get down to serious work of rehabilitation and reconstruction beyond playing political games so that one can see some hope on the horizon. The company realizing social responsibility and magnitude of the tragedy has made a major contribution towards relief work and we believe that the corporate sector as also individual beneficiaries of development in the country must come forward in a big way in this field to ameliorate the sufferings of the poor and restore economic infrastructure. May Allah, s.w.t., help us out of present crises.

Acknowledgements

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

Lahore: October 05, 2022

For and on behalf of the Board



Muhammad Arshad Saeed
(Chief Executive Officer)

FINANCIAL INFORMATION

BALANCE SHEET	2022	2021	2020	2019	2018	2017	
(Rupees in thousand)							
Paid up Share Capital	360,000	360,000	360,000	360,000	360,000	360,000	
Unappropriated Profit	1,509,237	1,043,237	663,686	672,260	721,476	613,596	
Revaluation Surplus on Property, Plant and equipment-net of tax	540,886	593,650	379,953	403,294	429,200	202,102	
Total Equity	2,410,123	1,996,887	1,403,639	1,435,554	1,510,676	1,175,698	
Deferred Liabilities	320,294	301,113	224,109	272,502	289,316	249,590	
Current Liabilities	805,211	502,182	734,013	736,157	353,006	233,363	
	3,535,628	2,800,182	2,361,761	2,444,213	2,152,998	1,658,651	
Represented by:							
Fixed Assets	1,360,206	1,429,429	1,196,494	1,253,543	1,324,747	1,097,230	
Capital Work in Progress	-	1,200	-	-	-	-	
Long Term Deposits	3,716	3,711	3,708	3,702	3,699	3,703	
Current Assets	2,171,706	1,365,842	1,161,559	1,186,968	824,554	557,718	
	3,535,628	2,800,182	2,361,761	2,444,213	2,153,000	1,658,651	
PROFIT OR LOSS							
Sales	7,378,174	4,782,419	3,397,070	3,815,898	4,140,428	3,464,594	
Cost of Revenue	6,136,539	3,972,022	3,191,509	3,556,405	3,823,518	3,307,392	
Gross Profit	1,241,635	810,397	205,561	259,493	316,910	157,202	
Operating Profit	1,014,957	653,830	115,809	164,642	209,876	50,340	
Profit Before Taxation	996,564	623,562	49,548	97,381	166,497	52,240	
Profit After Taxation	613,844	432,405	30,365	67,402	126,663	95,329	
EPS	17.05	12.01	0.84	1.87	3.52	2.65	
Dividend %	75	30	20	20	30	10	
PERCENTAGE TO SALES							
Gross Profit	% age	16.83	16.95	6.05	6.80	7.65	4.54
Profit Before Taxation	% age	13.51	13.04	1.46	2.55	4.02	1.51
Profit After Taxation	% age	8.32	9.04	0.89	1.77	3.06	2.75
Admin & Selling Expenses	% age	2.08	2.25	2.49	2.25	2.30	2.14

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, 2022, and the statement of profit or loss, 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, 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, 2022 and of the profit, 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 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.

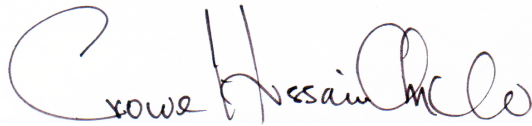
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

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



CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Lahore October 05, 2022

UDIN: AR202210169ingldbWFq

STATEMENT OF FINANCIAL

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 36,000,000 (2021: 36,000,000) Ordinary shares of Rs. 10 each		<u>360,000,000</u>	<u>360,000,000</u>
Issued, subscribed and paid up share capital	4	360,000,000	360,000,000
Unappropriated profit		1,509,236,609	1,043,236,870
Revaluation surplus on property, plant and equipment - net of tax	5	540,885,931	593,649,958
		2,410,122,540	1,996,886,828
Non Current Liabilities			
Deferred liabilities	6	320,294,347	301,113,181
Current Liabilities			
Trade and other payables	7	399,016,871	273,480,740
Unclaimed dividend		581,803	840,359
Short term borrowings	8	-	-
Sales tax payable - net		15,636,978	45,904,318
Provision for income tax	9	389,975,596	181,956,946
		805,211,248	502,182,363
Contingencies and Commitments	10	-	-
		<u>3,535,628,135</u>	<u>2,800,182,372</u>

The annexed notes, from 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER



POSITION AS AT JUNE 30, 2022

		2022	2021
	Note	Rupees	Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	11	1,360,205,974	1,430,628,784
Long term deposits		3,716,160	3,711,160
		1,363,922,134	1,434,339,944
Current Assets			
Stores and spare parts	12	94,489,251	70,793,238
Stock in trade	13	233,629,140	540,321,786
Trade debts	14	108,067,462	137,546,313
Loans and advances	15	11,227,018	2,449,432
Trade deposits and short term prepayments	16	3,085,465	2,851,933
Balance with statutory authorities	17	206,743,583	178,011,259
Cash and bank balances	18	1,514,464,082	433,868,467
		2,171,706,001	1,365,842,428
		<u>3,535,628,135</u>	<u>2,800,182,372</u>

DIRECTOR

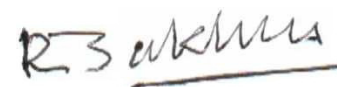
**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022**

		2022	2021
	Note	Rupees	Rupees
Sales	19	7,378,174,544	4,782,419,448
Cost of revenue	20	<u>(6,136,539,351)</u>	<u>(3,972,021,909)</u>
Gross Profit		1,241,635,193	810,397,539
Operating Expenses			
Selling and distribution costs	21	(39,540,624)	(26,184,826)
Administrative expenses	22	(113,943,931)	(81,612,328)
Other operating expenses	23	(73,193,509)	(48,770,140)
		(226,678,064)	(156,567,294)
Operating Profit		1,014,957,129	653,830,245
Other income	24	38,768,651	6,353,205
Finance costs	25	(57,161,749)	(36,621,656)
Profit before Taxation		996,564,031	623,561,794
Taxation			
Current tax	26	(386,042,358)	(209,079,663)
Deferred tax		3,322,283	17,922,900
		(382,720,075)	(191,156,763)
Net Profit for the Year		613,843,956	432,405,031

The annexed notes, from 1 to 35 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30,2022**

	2022 Rupees	2021 Rupees
Net profit for the year	613,843,956	432,405,031
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
	-	232,842,688
Re-measurement loss on post employment benefits obligations	(609,787)	-
Related deferred tax impact	201,230	-
	(408,557)	-
<i>Items that may be re-classified subsequently to profit or loss</i>	-	-
Other comprehensive income for the year	(408,557)	232,842,688
Total Comprehensive Income for the Year	613,435,399	665,247,719

The annexed notes, from 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

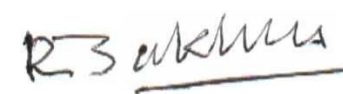
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022**

Particulars	Issued, Subscribed and Paid up Capital	Revenue Reserve - Unappropriated Profit	Capital Reserve - Revaluation Surplus on Property, Plant and Equipment	Total
	Rupees	Rupees	Rupees	Rupees
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 for the year on surplus on revaluation of property, plant and equipment - 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
Net profit for the year	-	613,843,956	-	613,843,956
Re-measurement loss on post employment benefits obligations	-	(408,557)	-	(408,557)
Total comprehensive income for the year	-	613,435,399	-	613,435,399
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	32,564,340	(32,564,340)	-
Effect of change in rate	-	-	(20,199,687)	(20,199,687)
Transactions with owners recorded directly in equity				
Final dividend paid for the year ended June 30, 2021 @ Rs. 1.0/- per share	-	(36,000,000)	-	(36,000,000)
1st interim dividend paid for the year ended June 30, 2022 @ Rs. 1.0/- per share	-	(36,000,000)	-	(36,000,000)
2nd interim dividend paid for the year ended June 30, 2022 @ Rs. 1.5/- per share	-	(54,000,000)	-	(54,000,000)
3rd interim dividend paid for the year ended June 30, 2022 @ Rs. 1.5/- per share	-	(54,000,000)	-	(54,000,000)
	-	(180,000,000)	-	(180,000,000)
Balance as at June 30, 2022	360,000,000	1,509,236,609	540,885,931	2,410,122,540

The annexed notes, from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER

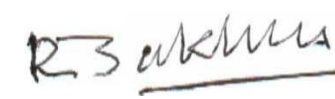

DIRECTOR

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,2022**

	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		996,564,031	623,561,794
Adjustments for:			
- Depreciation on property, plant and equipment	11	75,488,672	65,890,672
- Gain on disposal of operating fixed assets	24	(1,615,833)	(2,058,043)
- Provision for post employment benefits	6.2.3	12,494,746	14,620,420
- Provision for workers' profit participation fund	23	53,820,331	33,738,549
- Provision for workers' welfare fund	23	19,373,178	15,031,591
- Interest income	24	(34,725,078)	(1,637,601)
- Finance costs	25	57,161,749	36,621,656
		<u>181,997,765</u>	<u>162,207,244</u>
Operating profit before working capital changes		1,178,561,796	785,769,038
Effect on cash flows due to working capital changes (Increase) / decrease in current assets:			
- Stores and spare parts		(23,696,013)	(12,396,205)
- Stock in trade		306,692,646	355,260,252
- Trade debts		29,478,851	983,431
- Loans and advances		(7,577,586)	8,597,691
- Trade deposits and short term prepayments		(233,532)	106,337
- Long term deposits		(5,000)	(3,000)
Increase / (decrease) in current liabilities			
- Trade and other payables		60,190,467	67,304,462
- Sales tax payable		(30,267,340)	26,987,035
		<u>334,582,493</u>	<u>446,840,003</u>
Cash Generated from Operations		1,513,144,289	1,232,609,041
Finance costs paid		(49,898,732)	(42,770,634)
Workers' welfare fund paid		(15,110,863)	-
Gratuity paid		(10,599,541)	(10,427,156)
Income tax paid		(206,756,032)	(181,353,808)
Interest received on saving bank accounts		34,725,078	1,637,601
		<u>(247,640,090)</u>	<u>(232,913,997)</u>
Net Cash Generated from Operating Activities		1,265,504,199	999,695,044
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(7,550,028)	(9,950,214)
Sale proceeds from disposal of property plant and equipment		2,900,000	8,330,000
Net Cash Used in Investing Activities		(4,650,028)	(1,620,214)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings (repaid) / obtained		-	(499,935,612)
Dividends paid		(180,258,556)	(71,701,825)
Net Cash Used in Financing Activities		(180,258,556)	(571,637,437)
Net Increase in Cash and Cash Equivalents		1,080,595,615	426,437,394
Cash and cash equivalents at the beginning of the year		433,868,467	7,431,073
Cash and cash equivalents at the end of the year		1,514,464,082	433,868,467

The annexed notes, from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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:

Business Unit	Geographical Location
- Head Office / Registered	The Company's registered office address is 36 A - Lawrence Road, Lahore.
- Production Plant / Factory	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 11	(stated at revalued amount)

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (Rs.) 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 benefits - Note 6.2.2 and 6.2.3

2.4.2 Estimate of useful lives and residual values of property, plant and equipment - Notes 3.1 and 11

2.4.3 Net realizable values of stock-in-trade and stores and spare parts - Notes 3.3, 3.4, 12 and 13

2.4.4 Income tax expense, provision for current tax and recognition of deferred tax liabilities - Note 26, 9 and 6

2.5 Changes in accounting standards, interpretations and pronouncements

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

Certain standards, amendments and interpretations to IFRS are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures;

Standard or Interpretation	Effective Date - Annual Periods Beginning on or After April 01, 2021
IFRS 16 Leases – Rent concessions [Amendments] Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2)	January 01, 2021

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

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for companies having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

Standard or Interpretation	Effective Date - Annual Periods Beginning on or After
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2023
IAS 12 Income Taxes [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
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

The Company is in process to assess the impact of these amendments.

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 11. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on assets disposed off during the month.

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

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 economic 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 the statement of profit or loss 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 statement of profit or loss.

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.

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.

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.

3.6 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 the statement of other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of profit or loss.

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 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. Super tax applicable on the Company is also calculated. 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.

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.

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.

3.11 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. Amounts due to and due from related party are shown in respective notes to the financial statements.

3.12 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

Revenue is recognized at a point in time, when the Company satisfies performance obligations by transferring the promised goods to its customers and when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery. Control is transferred to the customer on dispatch of goods and transaction price is fixed and decided mostly through tendering process. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The contracts do not contain right of return as the goods are dispatched to customer after their inspection, and customer inspection process. The Company does not offer volume discount as price is agreed through tendering.

3.13 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 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, if these do not contain significant financing component as per IFRS - 15.

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).

3.15 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.

3.15.1 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.

3.16 Dividend

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

3.17 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 the statement of profit or loss 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.

3.18 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

Note 4

Issued, Subscribed and Paid up Share Capital

2022	2021		2022	2021
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
- 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	2022 Rupees	2021 Rupees
Surplus on revaluation of property, plant and equipment	5.1	<u>540,885,931</u>	<u>593,649,958</u>

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

	2022 Rupees	2021 Rupees
Opening balance - Revaluation surplus	740,097,691	470,716,692
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	-	6,035,723.00
	<u>-</u>	<u>296,347,006</u>
	740,097,691	767,063,698
Related deferred tax	(146,447,733)	(146,447,733)
Effect of change in rate	(4,160,535)	-
	<u>(150,608,268)</u>	<u>(146,447,733)</u>
Transferred to unappropriated profit in respect of:		
- Surplus related to incremental Depreciation charged during the year - net of deferred	(32,564,340)	(19,145,865)
- Related deferred tax liability	(16,039,152)	(7,820,142)
	<u>(48,603,492)</u>	<u>(26,966,007)</u>
Closing balance - Surplus on revaluation	<u>540,885,931</u>	<u>593,649,958</u>

- 5.2** 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.
- 5.3** Incremental depreciation charged on revalued property, plant and equipment has been transferred to retained earnings to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset.

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

Note 6

Deferred Liabilities

		2022	2021
		Rupees	Rupees
Deferred tax liability	6.1	287,041,128	270,364,954
Present value of defined benefit obligations	6.2	33,253,219	30,748,227
		<u>320,294,347</u>	<u>301,113,181</u>
6.1 Deferred tax liability			
Taxable temporary differences			
- Accelerated tax depreciation and amortization		147,406,422	132,834,207
- Surplus on revaluation of property, plant and equipment		150,608,268	146,447,733
		<u>298,014,690</u>	<u>279,281,940</u>
Deductible temporary differences			
- Staff retirement benefits - unfunded gratuity		(10,973,562)	(8,916,986)
		<u>287,041,128</u>	<u>270,364,954</u>
6.1.1 Reconciliation of deferred tax liabilities / (assets) - Net			
Opening balance		270,364,954	197,554,394
Deferred tax income recognized in profit or loss during the year		(3,322,283)	(17,922,900)
Deferred tax (income) / expense during the year recognised in other comprehensive income		(201,230)	63,504,318
Effect of change in tax rate		20,199,687	-
Tax credit utilized		-	27,229,142
Closing balance		<u>287,041,128</u>	<u>270,364,954</u>

6.1.2 Deferred tax assets / liabilities on temporary differences are measured at effective rate of 33% (2021: 29%). The Company has not adjusted the tax rate for exclusion of export related income since it is not certain whether the Company intends to export directly or indirectly in future.

6.2 Post Employment 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, 2022. The management has used the estimate for the year 2022 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:

6.2.1 Actuarial assumptions:	2022	2021
Discount rate (per annum)	13.25%	8.5%
Expected rate of salary increase in future years	12.25%	7.50%
Average duration of liability		
Actuarial valuation method		Projected Unit Credit Method
Mortality rate		As per SLIC (2001-2005) Mortality Table with one year setback

6.2.2 Movement in the present value of defined benefit obligations

Opening balance	30,748,227	26,554,963
Current service cost	10,331,627	12,614,908
Interest cost on defined benefit obligations	2,163,119	2,005,512
Benefits paid during the year	(10,599,541)	(10,427,156)
Re-measurement loss on post employment benefits obligations	609,787	-
Closing balance	33,253,219	30,748,227

6.2.3 Company's liability

	2022	2021
	Rupees	Rupees
Opening balance	30,748,227	26,554,963
Charge for the year	12,494,746	14,620,420
Benefits paid to outgoing employees	(10,599,541)	(10,427,156)
Re-measurement loss on post employment benefits obligations	609,787	-
Closing balance	33,253,219	30,748,227

6.2.4 Charge for the year

	2022	2021
Note	Rupees	Rupees
Current service cost	10,331,627	12,614,908
Interest cost on defined benefit obligations	2,163,119	2,005,512
	12,494,746	14,620,420

6.2.5 Charge for the year has been allocated as under

Cost of revenue	20	9,545,673	12,782,751
Distribution cost	21	1,033,831	953,903
Administrative expenses	22	1,915,242	883,766
		12,494,746	14,620,420

6.2.6 Remeasurements chargeable in other comprehensive income

Re-measurement loss on post employment benefits obligations	609,787	-
---	----------------	---

6.2.7 Estimated Charged for the next year - 2022 to 2023

Current service cost	11,700,567	-
Interest cost on defined benefit obligations	3,949,402	-
	15,649,969	

6.2.8 Year end sensitivity analysis on defined benefit obligations

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

	2022	2021
	Rupees	Rupees
Discount rate + 100 bps	31,230,603	24,925,917
Discount rate - 100 bps	35,559,639	28,425,981
Salary increase + 100 bps	35,615,811	28,504,306
Salary increase - 100 bps	31,116,270	24,824,366

6.2.9 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:

	2022	2021	2020	2019	2018
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	33,253,219	30,748,227	26,554,963	40,853,772	41,097,799

Note 7

Trade and Other Payables

	Note	2022	2021
		Rupees	Rupees
Trade creditors		29,943,701	9,877,473
Accrued liabilities	7.1	188,420,507	133,345,386
Contract liabilities	7.2	15,637,697	31,111,065
Unclaimed workers' profit participation fund		8,462,348	8,462,348
Workers' profit participation fund	7.3	122,029,975	60,946,626
Workers' welfare fund	7.4	33,788,974	29,526,659
Other payables		733,669	211,183
		399,016,871	273,480,740

7.1 This includes provision for Gas Infrastructure Development Cess (GIDC) amounting to Rs. 37,168,433 (2021: Rs. 34,052,525). The Company is contesting this levy with relevant authorities and judicial forums.

7.2 An amount of Rs. 13,505,945 (2021: Rs. 3,472,335) was recognized in revenue from opening balance of contract liabilities.

	Note	2022	2021
		Rupees	Rupees
7.3 Opening balance		60,946,626	24,769,033
Interest on funds utilized in the Company's business	25	7,263,018	2,439,044
Add: Charge for the year	23	53,820,331	33,738,549
Less: payment made		-	-
Closing balance		122,029,975	60,946,626

	Note	2022	2021
		Rupees	Rupees
7.4 Opening balance		29,526,659	14,495,068
Add: Charge for the year	23	19,373,178	15,031,591
Less: payment made		(15,110,863)	-
Closing balance		33,788,974	29,526,659

Note 8

Short Term Borrowings

	Note	2022	2021
		Rupees	Rupees
Running finance	8.1	-	-
Booked overdraft		-	-
		-	-

8.1 The Company obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 1,958 million (2021: Rs. 1,335 million) towards working capital requirements and for retirement of local and foreign LCs . These facilities shall expire on various dates latest by December 31, 2022. Mark up on these facilities is charged from 1 to 3 months KIBOR plus a spread of 1% to 1.25% (2021: 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 vet to be utilized is Rs. 1.687 million (2021: Rs. 1.258 million).

Note 9

Provision for Income Tax

	2022	2021
	Rupees	Rupees
Opening balance	181,956,946	51,092,309
Current income tax	282,731,679	209,079,663
Super tax	103,310,679	-
Adjustments / payments	(178,023,708)	(78,215,026)
	<u>389,975,596</u>	<u>181,956,946</u>

Note 10

Contingencies and Commitments**10.1 Contingencies**

- 10.1.1** 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.
- 10.1.2** In respect of tax year 2015, the DCIR issued the notice for rectification dated 8 June 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 heard and Commissioner Appeal remanded the case back to the department. The company has filed appeal before Appellate Tribunal Inland Revenue (ATIR). The appeal is pending adjudication. The Company expects favorable outcome based on the opinion of legal advisor, therefore no provision has been recorded in these financial statements.
- 10.1.3** In respect of tax year 2005, an order under section 124/129 was passed by the concerned Deputy Commissioner Inland Revenue (DCIR) and later confirmed by Commissioner Inland Revenue CIR (A) 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), against the order dated March 31, 2012 passes by the CIR (A) on the grounds that the Commissioner Inland Revenue was not justified to reject the contention of the appellant. The ATIR has decided the appeal in favor of the Company on 27 February 2017. The Department (FBR) has filed reference before Honorable Lahore High Court, against the order of ATIR. The Appeal is pending before Honorable Lahore High Court. The Company expects favorable outcome based on the opinion of legal advisor, therefore no provision has been recorded in these financial statements.
- 10.1.4** 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

10.2 Guarantees

The Company is liable for Bank guarantees arranged from different banks amounting to Rs. 61 million (2021: Rs. 52.741 million) that have been issued in favour of the following:

	2022	2021
	Rupees	Rupees
Sui Northern Gas Pipelines Limited	50,000,000	42,741,000
Excise and Taxation	11,000,000	10,000,000
	<u>61,000,000</u>	<u>52,741,000</u>

10.3 Commitments

- Letters of credit

	<u>217,528,719</u>	<u>24,696,842</u>
--	---------------------------	--------------------------



Note 11

Property, Plant and Equipment

	Note	2022 Rupees	2021 Rupees
Operating fixed assets	11.1	1,360,205,974	1,429,428,784
Capital work in progress	11.6	-	1,200,000
		1,360,205,974	1,430,628,784

11.1 Operating Fixed Assets

Year ended June 30, 2022

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, 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
Additions	-	-	-	1,425,000	-	-	-	-	6,125,028	-	7,550,028
Disposals during the year	-	-	-	-	-	-	-	-	(2,130,337)	-	(2,130,337)
Balance as at June 30, 2022	357,022,600	236,459,076	36,905,082	771,703,400	19,500,000	39,306,618	3,711,373	1,466,915	26,452,788	43,620	1,492,571,472
Accumulated depreciation											
As at July 01, 2021	-	5,911,476	461,313	17,973,163	455,000	22,446,065	2,179,225	840,689	7,421,906	34,159	57,722,996
Charge for the year	-	17,143,283	1,360,875	52,163,735	1,319,500	703,390	153,215	25,950	2,617,778	946	75,488,672
Disposals during the year	-	-	-	-	-	-	-	-	(846,170)	-	(846,170)
Balance as at June 30, 2022	-	23,054,759	1,822,188	70,136,898	1,774,500	23,149,455	2,332,440	866,639	9,193,514	35,105	132,365,498
Balance as at June 30, 2022	357,022,600	213,404,317	35,082,894	701,566,502	17,725,500	16,157,163	1,378,933	600,276	17,259,274	8,515	1,360,205,974
Depreciation rates	-	10%	5%	10%	10%	10%	10%	10%	20%	10%	

Annual Report

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
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	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
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	65,890,671
Disposals during the year	-	-	-	-	-	-	-	-	(3,017,748)	-	(3,017,748)
Revaluation adjustment	-	-	-	-	-	-	-	-	-	-	-
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	57,722,996
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%	



11.2 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2022 Rupees	2021 Rupees
Cost of sales	20	71,330,854	62,705,291
Administrative expenses	22	4,157,818	3,185,381
		<u>75,488,672</u>	<u>65,890,672</u>

11.3 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, 2022. 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>

11.4 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.

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

	2022 Rupees	2021 Rupees
Free hold land	113,284,803	113,284,803
Building on freehold land	46,017,148	43,171,851
Plant and machinery	463,693,782	488,002,215
Electric installations	10,311,881	10,807,646
	<u>633,307,614</u>	<u>655,266,515</u>

11.6 Capital Work in Progress

This represents advance given for purchase of vehicle.

11.7 Detail of disposals - 2022

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							
LES-1618	2,130,337	1,284,167	2,900,000	1,615,833	Resham Enterprises (the Entity)	Negotiation	One partner of the entity are also director of the Company
	2,130,337	1,284,167	2,900,000	1,615,833			

11.8 Detail of disposals - 2021

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			

11.9 As detailed in note 11, certain assets from property, plant and equipment have been presented for creating charge in respect of funded and unfunded facilities obtained from financial institutions.

Note 12
Stores and Spares

	2022	2021
	Rupees	Rupees
Stores in hand	8,974,717	6,704,940
Stores in transit	-	8,700
Spares	85,514,534	64,079,598
	<u>94,489,251</u>	<u>70,793,238</u>

Note 13
Stock in Trade

	2022	2021
	Rupees	Rupees
	Note	
Raw material	128,614,308	428,963,387
Work in Process	17,880,739	27,643,536
Finished goods	13.1 87,134,093	83,714,863
	<u>233,629,140</u>	<u>540,321,786</u>

13.1 Finished goods comprised of

- Yarn	80,137,816	74,207,166
- Waste	6,996,277	9,507,697
	<u>87,134,093</u>	<u>83,714,863</u>

Note 14
Trade Debts

	2022	2021
	Rupees	Rupees
Considered good local sales	108,067,462	137,546,313
Less: Allowance for doubtful debts	-	-
	<u>108,067,462</u>	<u>137,546,313</u>

Note 15
Loans and Advances

	2022	2021
	Rupees	Rupees
	Note	
Advances to suppliers (Unsecured - Considered good)	6,490,170	1,890,238
Short term loans to employees (Unsecured - Considered good)	15.1 4,736,848	559,194
	<u>11,227,018</u>	<u>2,449,432</u>

15.1 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.

Note 16
Trade Deposits and Short term Prepayments

	2022	2021
	Rupees	Rupees
Bank guarantee margin	2,750,200	2,500,200
Short term prepayments	335,265	351,733
	<u>3,085,465</u>	<u>2,851,933</u>

Note 17
Balance with Statutory Authorities

	2022	2021
	Rupees	Rupees
Tax deducted at source and advance tax	<u>206,743,583</u>	<u>178,011,259</u>

Annual Report

Note 18

Cash and Bank Balances

	Note	2022 Rupees	2021 Rupees
Cash in hand		223,042	114,123
Balances with banks:			
- Current accounts		343,324	392,594,414
- Saving accounts	18.1	1,513,897,716	41,159,930
		<u>1,514,464,082</u>	<u>433,868,467</u>

18.1 These carry interest at the effective rates ranging from 7.01% to 13.25% per annum (2021: 2% to 6.5% per annum).

Note 19

Sales - Net

	2022 Rupees	2021 Rupees
Local sales		
- Yarn	7,052,533,775	5,353,300,099
- Cotton	1,276,427,561	-
- Waste	303,502,886	242,130,670
	<u>8,632,464,222</u>	<u>5,595,430,769</u>
Less: Sales tax	<u>(1,254,289,678)</u>	<u>(813,011,321)</u>
	<u>7,378,174,544</u>	<u>4,782,419,448</u>

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

Note 20

Cost of Sales

	Note	2022 Rupees	2021 Rupees
Raw material consumed	20.1	4,266,710,395	3,043,499,159
Stores and spares consumed	20.2	177,563,333	192,362,709
Salaries, wages and other benefits	20.3	279,108,057	271,753,132
Insurance		2,119,629	908,480
Fuel and power		496,825,754	332,007,428
Depreciation	11	71,330,854	62,705,291
Utilities and communication		164,128	175,059
Repair and maintenance		6,880,595	9,012,176
Other manufacturing expenses		3,955,075	3,776,167
		<u>5,304,657,820</u>	<u>3,916,199,601</u>
Work in progress			
- Opening stock		27,643,536	15,498,130
- Closing stock	13	(17,880,739)	(27,643,536)
		<u>9,762,797</u>	<u>(12,145,406)</u>
Cost of goods manufactured		<u>5,314,420,617</u>	<u>3,904,054,195</u>
Cost of raw material sold		825,537,964	-
Finished goods			
- Opening stock		83,714,863	151,682,577
- Closing stock	13	(87,134,093)	(83,714,863)
		<u>(3,419,230)</u>	<u>67,967,714</u>
		<u>6,136,539,351</u>	<u>3,972,021,909</u>

20.1 Raw material consumed

Opening balance		428,963,387	728,401,331
Purchases		4,791,899,280	2,744,061,215
		5,220,862,667	3,472,462,546
Less: Cost of raw material sold		(825,537,964)	-
Less: Closing balance	13	(128,614,308)	(428,963,387)
		(954,152,272)	(428,963,387)
		4,266,710,395	3,043,499,159

20.2 Stores and spares consumed

Opening balance		70,784,538	57,983,833
Purchases		201,268,046	205,163,414
		272,052,584	263,147,247
Less: Closing balance	12	(94,489,251)	(70,784,538)
Stores and spares consumed		177,563,333	192,362,709

20.3 This includes post employment benefits amounting to Rs. 9,545,673 (2021: Rs. 12,782,751).

Note 21

Distribution Cost

	Note	2022 Rupees	2021 Rupees
Salaries and other benefits	21.1	16,314,515	13,758,188
Commission		21,989,265	11,672,201
Vehicle running and maintenance		959,308	634,039
Miscellaneous expenses		277,536	120,398
		39,540,624	26,184,826

21.1 This includes post employment benefits amounting to Rs. 1,033,831 (2021: Rs. 953,903).

Note 22

Administrative Expenses

	Note	2022 Rupees	2021 Rupees
Directors' remuneration		7,392,000	6,720,000
Salaries and other benefits	22.1	20,595,678	14,036,089
Charity and donations	22.2	70,225,000	46,950,000
Postage and telephone		597,690	685,141
Auditors' remuneration	22.4	540,000	495,000
Rent, rates and taxes		162,568	102,680
Electricity, gas and water		1,915,855	1,507,019
Legal and professional		765,181	2,234,907
Fee and subscription		1,420,815	652,350
Entertainment		1,431,124	1,294,583
Repairs and maintenance		919,836	887,901
Vehicle running and maintenance		1,527,600	864,011
Printing and stationery		430,371	369,657
Depreciation	11	4,157,818	3,185,381
Insurance		436,553	370,367
Others	22.5	1,425,842	1,257,242
		113,943,931	81,612,328

22.1 This includes post employment benefits amounting to Rs. 1,915,242 (2021: Rs. 883,766).

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

22.3 During the year charities and donations made are as follows:

Akhuwat Foundation	5,000,000	-
Alkhidmat Foundation Pakistan	5,500,000	-
Fatimid Foundation	3,000,000	-
Shaukat Khanam Memorial Cancer Hospital And Research Centre	2,500,000	-
Pakistan Red Crescent Society	2,000,000	-
The Indus Hospital	2,500,000	2,000,000
The Layton Rahmatulla Trust (LRBT)	3,500,000	-
Al-Ehsan Welfare Eye Hospital	1,500,000	-
Ali Zaib Foundation -Thalassemia, Hemophilic Center	1,250,000	-
Hijaz Social Welfare Society	2,250,000	-
Hope Up Lift Foundation	1,000,000	-
Jamia Ashrafia	1,250,000	-
Jamia Darululoom-Karachi	3,500,000	-
Shahid Afridi Foundation	750,000	-
Pakistan Eye Bank	1,000,000	-
Bin Qutab Foundation	1,750,000	-
Edhi Foundation	4,000,000	2,000,000
Patient Welfare Association Mayo Hospital-Lahore	500,000	-
Rising Sun Education and Welfare Society (For Special Children)	500,000	-
Sindh Institute of Urology and Transplantation -Karachi (Siut)	5,000,000	2,000,000
Sahara for Life Trust	4,500,000	-
Lahore Mental Health Association (Fountain House)	3,500,000	-
Leprosy Patients Welfare Trust	3,000,000	-
Marghzar Welfare Society (For Special Childrens)	700,000	-
National Society for Mentally and Emotionally Handicapped Children	1,750,000	-
Orphans House (Social Responsible Society) "SOS" Children's Villages	750,000	-
Pakistan Association of the Blind (Sindh)	1,000,000	-
Trust For Education and Development Of Deserving Students (TEDDS)	5,500,000	2,000,000
Sundas Foundation	1,250,000	-
Others	25,000	38,950,000
	70,225,000	46,950,000

22.4 Auditors' remuneration

Audit fee	495,000	450,000
Out of pocket expenses	45,000	45,000
	540,000	495,000

22.5 This included information system charges amounting to Rs. 991,680 (2021: Rs. 991,516)

Note 23

Other Operating Expenses

	Note	2022 Rupees	2021 Rupees
Provision for:			
- Workers' profit participation fund	7.3	53,820,331	33,738,549
- Workers' welfare fund		19,373,178	15,031,591
		73,193,509	48,770,140

Note 24

Other Income

	2022 Rupees	2021 Rupees
Interest income	34,725,078	1,637,601
Gain on disposal of operating fixed assets - Vehicles	1,615,833	2,058,043
Rental income	2,427,740	2,180,228
Miscellaneous income	-	366,869
Liabilities written back	-	110,464
	38,768,651	6,353,205

Note 25
Finance Cost

	2022	2021
	Rupees	Rupees
Interest on:		
- Short term borrowings	48,651,929	32,759,066
- Workers' profit participation fund	7,263,018	2,439,044
Bank charges and commission	1,246,802	1,423,546
	<u>57,161,749</u>	<u>36,621,656</u>

Note 26
Taxation

	2022	2021
	Rupees	Rupees
Current tax expense		
- Current year	282,731,679	209,186,088
- Super tax	103,310,679	-
- Adjustment for prior years	(3,933,237)	(106,425)
	<u>382,109,121</u>	<u>209,079,663</u>
Deferred tax	(3,322,283)	(17,922,900)
	<u>378,786,838</u>	<u>191,156,763</u>

26.1 Reconciliation of tax charge for the year

Profit before taxation	<u>996,564,031</u>	<u>623,561,794</u>
Tax @ 29% (2021: 29%) on profit before taxation	289,003,569	180,832,920
Super tax	103,310,679	-
Tax effect of add backs / allowed deductions	(6,271,890)	28,353,168
Adjustment for prior years	(3,933,237)	(106,425)
Deferred taxation	(3,322,283)	(17,922,900)
	<u>378,786,838</u>	<u>191,156,763</u>

26.2 Tax expense on items recognized in other comprehensive income

	2022	2021
	Rupees	Rupees
Measurement of post employment benefits obligation	201,230	-
Revaluation of property, plant and equipment	-	(63,504,318)
	<u>201,230</u>	<u>(63,504,318)</u>

26.3 The current tax expense for the year is calculated using corporation tax rate of 29% (2021: 29%) and super tax at rate of 10% (2021: Nil). Deferred tax assets and liabilities on temporary differences are measured at effective rate of 33%.

Note 27

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	2022	2021
			Rupees	Rupees
Mr. Muhammad Arshad Saeed	CEO	Interest free loan received during the year	165,228,742	114,143,917
		Interest free loan repaid during the year	(165,228,742)	(114,143,917)
Ms. Kiran A. Chaudhry	Director	Interest free loan received during the year	2,312,327	10,844,000
		Interest free loan repaid during the year	(2,312,327)	(10,844,000)
Ch. Rahman Bakhsh	Director	Interest free loan received during the year	-	2,000,000
		Interest free loan repaid during the year	-	(2,000,000)
Mr. Muhammad Ali Chaudhry	Director	Interest free loan received during the year	23,093,145	-
		Interest free loan repaid during the year	(23,093,145)	-
Resham Enterprises	Associate	Rent received during the year	2,062,707	2,180,228
Resham Enterprises	Associate	Sale of vehicles	2,900,000	4,735,000

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

S.No.	Related Party	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%
4	Mr. Muhammad Ali Chaudhry	Director	7.56%
5	Resham Enterprises	Associate due to common directorship	N/A

Note 28

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	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees		Rupees		Rupees		Rupees	
Managerial	2,816,000	2,560,000	2,112,000	1,920,000	14,409,291	9,026,667	19,337,291	13,506,667
Housing	1,126,400	1,024,000	844,800	768,000	5,763,716	3,610,667	7,734,916	5,402,667
Utilities	281,600	256,000	211,200	192,000	1,440,929	902,667	1,933,729	1,350,667
Gratuity paid	-	-	-	-	200,000	-	200,000	-
Vehicle running and maintenance	441,019	134,014	290,482	158,251	2,508,011	1,356,081	3,239,512	1,648,346
	4,665,019	3,974,014	3,458,482	3,038,251	24,321,947	14,896,082	32,445,448	21,908,347
Number of persons	1	1	1	1	6	7	8	9

28.1 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.

Note 29

Financial Risk Management

29.1 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:



	2022	2021
	Rupees in thousand	
Outstanding commitments against letters of credit	(217,529)	(24,697)

Rupees per US Dollar

Average exchange rate during the year	181.43	163.00
Reporting date rate	204.85	158.00

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. 2.175 million (2021: Rs. 0.25 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:

	2022	2021
	Rupees in thousand	
<i>Floating rate instruments - Financial assets</i>		
Balances with saving bank accounts	1,513,898	41,160
<i>Floating rate instruments - Financial liabilities</i>		
Short term borrowings	-	-

Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2022, if interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 1.513 million (2021: Rs. 0.411 million), mainly as a result of interest exposure on variable rate instruments.

(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:

	2022	2021
	Rupees in thousand	
Long term deposits	3,716	3,711
Trade debts	108,067	137,546
Trade deposits and other receivables	3,085	2,852
Bank balances	1,514,241	433,754

	2022	2021
	Rupees in thousand	
The aging of trade debts as at the reporting date is as follows:		
Neither past due nor impaired	106,540	57,682
Past due but not impaired:		
1-90 days	850	41,027
91-180 days	92	24,828
180+ days	585	14,009
	108,067	137,546

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.

The credit quality of bank balances 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		Rating Agency	2022	2021
	Short Term	Long Term			
Rupees in thousand					
Faysal Bank Limited	A1+	AA	PACRA	26,796	4,102,499
Habib Bank Limited	A1+	AAA	JCRVIS	35,278,946	11,143,353
MCB Bank Limited	A1+	AAA	PACRA	29,966,772	249,706
Meezan Bank Limited (Islamic)	A1+	AA+	JCRVIS	500,032,326	28,579,698
Bank Alfalah Limited	A1+	AA+	PACRA	540,389,254	74,943,448
National Bank of Pakistan	A1+	AAA	PACRA	27,482	70,589,202
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	151,794,118	124,966,000
Habib Metropolitan Bank	A1+	AA+	PACRA	31,116,502	5,923,995
Askari Bank Limited (Islamic)	A1+	AA+	PACRA	223,822,409	113,227,393
The Bank of Punjab	A1+	AA	PACRA	1,786,435	29,050
				1,514,241,040	433,754,344

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 utilize available limit of Rs. 1,757 million (2021: Rs. 1,185 million) (both funded and unfunded) from financial institutions and Rs. 1,514.24 million (2021: Rs. 433.86 million) cash and bank balances. Following are the contractual maturities of financial liabilities:

Contractual maturities of financial liabilities as at June 30, 2022:

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	218,364,208	218,364,208	218,364,208	-	-	-
--------------------------	-------------	-------------	-------------	---	---	---

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	-	-	-
--------------------------	---------	---------	---------	---	---	---

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.

29.2 Financial instruments by categories

Financial assets at amortized cost as at June 30,	2022	2021
	Rupees in thousand	
Long term deposits	3,716	3,711
Trade debts	108,067	137,546
Trade deposits and other receivables	3,085	2,852
Cash and bank balances	1,514,464	433,868
	1,629,332	577,977

The Company has no financial instruments held at fair value through profit or loss and other comprehensive income.

Financial liabilities at amortized cost - Balance as at June 30,	2022	2021
	Rupees in thousand	
Trade and other payables	219,098	143,434

29.3 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 30

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.

As at the reporting date, the Company was not geared as given below:

	2022	2021
	Rupees in thousand	
Total borrowings	-	-
Cash and bank balances	(1,514,464)	(433,868)
Net exposure	(1,514,464)	(433,868)
Equity	2,410,123	1,996,887
Total capital employed	895,659	1,563,019
Gearing Ratio	Not Geared	Not Geared

Note 31

Plant Capacity and Production

	2022	2021
Spindles installed / worked (Number)	<u>38,448</u>	<u>38,448</u>
Production at normal capacity based on 3 shifts per day (Kgs)	<u>14,102,609</u>	<u>14,102,609</u>
Actual Production based on 3 shifts per day (Kgs)	<u>9,137,727</u>	<u>9,703,472</u>

The reason of shortfall was due to installation of new air conditioning plant in the ring section in one of the spinning units.

Note 32

Number of Employees

	2022	2021
Average number of employees during the year	<u>840</u>	<u>873</u>
Total number of employees at the end of year	<u>574</u>	<u>921</u>

Note 33

Subsequent Events

The Board of Directors of the Company in its meeting held on October 05, 2022, has proposed a final cash dividend of Rs.3.5 (2021:1) per share for the approval of the members at the Annual General Meeting to be held on October 27, 2022. These financial statements do not include the effect of the above event which will be accounted for in the year in which it is approved.

Note 34

Authorization of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issue on October 05, 2022.

Note 35

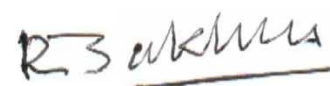
General

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. No material re-arrangement / reclassification has been made in these financial statements.



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 2022.

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
28	1	100	134
21	101	500	9,786
3	501	1,000	2,681
3	1,001	5,000	7,000
1	5,001	10,000	10,000
1	10,001	20,000	19,419
1	20,001	30,000	29,100
1	30,001	55,000	50,900
1	55,001	90,000	85,582
1	90,001	105,000	100,500
1	105,001	145,000	143,846
1	145,001	155,000	153,968
1	155,001	170,000	166,452
1	170,001	200,000	200,000
3	200,001	290,000	868,073
2	290,001	555,000	1,064,611
1	555,001	740,000	738,350
1	740,001	1,255,000	1,243,910
2	1,255,001	1,680,000	3,272,702
2	1,680,001	2,750,000	5,440,770
1	2,750,001	3,750,000	3,729,080
1	3,750,001	18,680,000	18,663,136
78			36,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	26,972,339	74.9232%
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	9,007,437	25.0207%
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%