بسم الله الرحمن الرحيم

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# COMPANY INFORMATION

| | | |
|---|---|---|
| **CHIEF EXECUTIVE OFFICER** | : | Ch. Muhammad Khurshid |
| **DIRECTORS** | : | Ch. Rahman Bakhsh<br>Mrs. Salma Aziz<br>Mr. Kamran Ilyas<br>Mr. Azhar Khurshid Chaudhry<br>Ms. Kiran A. Chaudhry<br>Mr. Muhammad Ali Chaudhry |
| **CHIEF FINANCIAL OFFICER** | : | Mr. Muhammad Ali Chaudhry |
| **COMPANY SECRETARY** | : | Mr. Muhammad Ali Chaudhry |
| **AUDITORS** | : | M/s Ernst & Young Ford Rhodes Sidat Hyder<br>Chartered Accountants<br>Lahore. |
| **AUDIT COMMITTEE** | : | Mr. Kamran Ilyas — Chairman<br>Mr. Azhar Khurshid Chaudhry — Member<br>Mrs. Salma Aziz — Member |
| **HR - COMMITTEE** | : | Mr. Kamran Ilyas — Chairman<br>Mr. Muhammad Ali Chaudhry — Secretary<br>Ms. Kiran A. Chaudhry — Member |
| **BANKERS** | : | National Bank of Pakistan<br>Faysal Bank Limited<br>Al Baraka Bank (Pakistan) Ltd.<br>Orix Leasing Pakistan Limited<br>Bank Alfalah Limited<br>First National Bank Modaraba |
| **SHARE REGISTRAR** | : | Corplink (Pvt.) Ltd. |
| **LEGAL ADVISORS** | : | Mr. Shaukat Haroon (Advocate)<br>Barrister Salman Rahim (Advocate High Court) |
| **REGISTERED OFFICE** | : | 314-Upper Mall, Lahore. |
| **MILLS** | : | 1.5 Kilometer Habibabad,<br>Chunian Road, Tehsil Chunian,<br>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 24th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Thursday 31 October 2013 at 11:00 a.m. at the Registered Office of the Company i.e. 314 Upper Mall, Lahore to transact the following business:

1. To confirm the minutes of the 23rd Annual General Meeting held on 17th October 2012.

2. To receive and adopt the audited accounts of the Company for the year ended 30 June 2013 and reports of the Directors' and Auditors' thereon.

3. To appoint auditors and to fix their remuneration for the year ending 30 June 2014. The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.

4. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(**MUHAMMAD ALI CHAUDHRY**)
Company Secretary

Lahore: 10 October 2013.

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from 25 October 2013 to 31 October 2013 (both days inclusive).

2. 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.

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

4. Shareholders are requested to immediately 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 financial year ended June 30, 2013 along with the Auditors' Report.

**Performance Review**

By the grace of Allah, (s,w,t), the Company operations during the year under review further improved. Profit before taxation increased from Rs. 232.53 million to Rs. 349.02 million (s.p.l.y.). The improvement was mainly on account of increase in yarn rates by 3.52% and more efficient technical, marketing and financial operations, as also relatively lower prices of cotton.

The best news for the shareholders is that a long-term loan of Rs. 112.80 million due for payment till 2018 to National Bank of Pakistan and Rs. 25.63 million to other Banks / DFIs stands prepaid and now only Rs. 17.63 million represented in the current maturity of long-term financing (LTF) from Faysal Bank Limited for the Power House, remains to be paid. The other good news for the shareholders is increase in earnings per share, basic and diluted, improved to Rs. 6.97 from Rs. 4.11 (s.p.l.y.). As a result, shareholders were paid dividends, two interim and one final, amounting to Rs. 90 million. It is also worth mentioning that the Company undertook BMR, increasing the production capacity of the project by approximately 35-38%. The Company spent Rs. 200.42 million on this project from own sources in spite of offers by the banks to finance this BMR, expressing faith and trust of the banks in the Company. Further, the banks have enhanced cash finance limits of the Company from Rs. 0.615 billion to Rs. 1.06 billion, representing a 73% increase. The Company also wishes to highlight its commitment to generously contribute towards charity and welfare of the needy and the poor, and donations worth Rs. 23.43 million were made during the year, compared to Rs. 10.65 million (s.p.l.y.), representing an increase of 120%.

The Equity in the Balance Sheet increased to Rs. 738.79 million from Rs. 566.71 million (s.p.l.y) as a result of the overall performance of the Company.

The above performance, by any standard, deserves appreciation of the shareholders and needless to say that this is in spite of overall adverse economic condition in the country and high inflation which resulted in increase in prices, especially energy cost as also energy shortage due to which the project had to be closed for several days, contrary to the practice of complete year running.

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees ('000) | |
| Sales | 3,501,701 | 3,245,032 |
| Cost of sales | 2,994,486 | 2,867,911 |
| Gross profit | 507,215 | 377,121 |
| Distribution cost | 19,757 | 26,236 |
| Administrative expenses | 52,815 | 32,664 |
| | 72,572 | 58,900 |
| Operating profit | 434,643 | 318,221 |
| Other operating expenses | 24,388 | 18,841 |
| | 410,255 | 299,380 |
| Other operating income | 7,921 | 6,585 |
| | 418,176 | 305,965 |
| Finance cost | 69,155 | 73,434 |
| Profit before taxation | 349,021 | 232,531 |
| Taxation | 98,233 | 84,604 |
| Profit after taxation | 250,788 | 147,927 |

| | 2013 | 2012 |
|---|---|---|
| Earning per share | | |
| - Basic & diluted (Rupees) | 6.97 | 4.11 |
| Debt Equity | 00:100 | 14:86 |
| Current Ratio | 1.15 | 1.58 |

**Changes in Accounting Policies**

There have been no changes in the accounting policies of the Company during the year.

**Future Prospects**

Although the performance of the Company is likely to stay good and improve, there are certainly some factors which need to be highlighted, being outside the control of the Management, such as increasing cost of electricity which is unprecedented and threatened stoppage of gas to the Captive Power Plants by SNGPL. APTMA and other stakeholders are working with the Government agencies to reduce and limit the damage and somehow ensure uninterrupted supply of electricity. We appreciate these efforts of APTMA and hope for the best. Another important factor to be highlighted is the shortage of domestic cotton crop and increase in cotton prices this year in the face of depressed demand for yarn and fabric. On the whole, the Management is hopeful that the next year will be another good year in the history of the Company.

**Corporate Social Responsibilities**

The Management is well aware of the social responsibilities and is sensitive to the needs of the employees, industry and society at large. A school is run for children of the employees at mill premises while transport and other facilities are provided for senior students. A dispensary provides health care in addition to the Social Security medical facilities and medicines are provided free. In cases of hardship financial help is provided to the employees on case to case basis. Also under a scheme of provision of transport, middle level employees have been provided with motorcycles which are for use by them during service in the Company. Liberal rewards and bonuses are given to the employees in recognition of their outstanding work. Additionally, an amount of Rs. 23.43 million was donated to charitable causes during the year.

**Corporate and Financial Reporting Framework**

As required by the code of corporate governance, Directors are pleased to report that:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- There are no doubts about the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance as detailed in the listing regulations.
- Outstanding taxes and other Government levies are given in related note(s) to the audited accounts.

- During the last financial year, four (4) meetings of the Board of Directors were held. Attendance of these meetings was as follows.

| Name of Director | Attendance |
|---|---|
| Ch. Muhammad Khurshid | 4 |
| Ch. Rahman Bakhsh | 4 |
| Mrs. Salma Aziz | 4 |
| Mr. Kamran Ilyas | 4 |
| Mr. Azhar Khurshid Chaudhry | 4 |
| Ms. Kiran A Chaudhry | 4 |
| Mr. Muhammad Ali Chaudhry | 4 |

- Key operations and financial data for last six (6) years is annexed.
- No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, Executives, their spouses and minor children.

**Pattern of Shareholding**

A statement reflecting the pattern of shareholding is attached to the Annual report.

**Related Party Transactions**

The Directors confirm the following related party transactions:

1. that the transactions with related parties during the financial year have been ratified by the Audit Committee and approved by the Board of Directors.
2. that the transactions have been carried out at arm's length.

**Audit Committee Meetings**

The Audit Committee met four times during the year under reference.

**Auditors**

The retiring auditors M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, being eligible, offer themselves for re-appointment. The Board of Directors, on recommendations of the audit committee, proposes the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, for the year ending 30 June 2014.

**Statement of Compliance with Best Practices on Transfer Pricing**

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the stock exchanges.

**Acknowledgements**

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

For and on behalf of the Board

LAHORE: 10 October 2013.

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

## Financial Summary

| | | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | |
| (Rupees in thousand) | | | | | | | |
| Paid up Share Capital | | **360,000** | 360,000 | 360,000 | 360,000 | 360,000 | 360,000 |
| Unappropriated Profit & (Loss) | | **378,798** | 206,719 | 154,507 | 110,821 | (69,104) | (61,475) |
| **Total Equity** | | **738,798** | 566,719 | 514,507 | 470,821 | 290,896 | 298,525 |
| Surplus on Revaluation of Fixed Assets | | **132,850** | 144,907 | 156,914 | 173,150 | 89,422 | 96,544 |
| Long Term Liabilities | | **-** | 120,184 | 166,327 | 195,436 | 219,139 | 243,794 |
| Liabilities against assets subject to finance lease | | **-** | - | 30,325 | 72,986 | 136,744 | 164,481 |
| Deferred Liabilities | | **254,937** | 233,836 | 210,580 | 163,777 | 23,716 | 26,662 |
| Long Term Deposits | | **389** | 269 | 143 | 79 | 53 | 65 |
| Current Liabilities | | **672,316** | 275,740 | 487,665 | 207,819 | 420,836 | 339,082 |
| | | **1,799,290** | 1,341,655 | 1,566,461 | 1,284,068 | 1,180,806 | 1,169,153 |
| Represented by: | | | | | | | |
| Fixed Assets | | **1,019,514** | 893,579 | 925,417 | 898,508 | 821,228 | 882,840 |
| Capital work in progress | | **1,420** | 8,431 | - | 8,631 | - | - |
| Other Assets | | **3,678** | 3,669 | 3,667 | 3,673 | 3,682 | 3,682 |
| Current Assets | | **774,678** | 435,976 | 637,377 | 373,256 | 355,896 | 282,631 |
| | | **1,799,290** | 1,341,655 | 1,566,461 | 1,284,068 | 1,180,806 | 1,169,153 |
| **PROFIT AND LOSS** | | | | | | | |
| Sales | | **3,501,701** | 3,245,032 | 3,704,951 | 2,232,455 | 1,542,141 | 1,302,115 |
| Cost of Sales | | **2,994,486** | 2,867,911 | 3,409,780 | 1,811,714 | 1,419,120 | 1,261,697 |
| Gross Profit | | **507,215** | 377,121 | 295,171 | 420,741 | 123,021 | 40,418 |
| Operating Profit | | **434,643** | 318,221 | 249,585 | 385,690 | 99,728 | 19,039 |
| Profit / (Loss) Before Taxation | | **349,021** | 232,531 | 142,334 | 277,176 | (13,737) | (54,187) |
| Profit / (Loss) After Taxation | | **250,788** | 147,927 | 65,792 | 173,768 | (15,047) | (34,702) |
| EPS | Rupees | **6.97** | 4.11 | 1.83 | 4.83 | (0.42) | (1.15) |
| Dividend % | | **20** | 20 | 15 | 10 | - | - |
| **PERCENTAGE TO SALES** | | | | | | | |
| **Gross Profit** | **%age** | **14.48** | 11.62 | 7.97 | 18.85 | 7.98 | 3.10 |
| **Profit Before Taxation** | **%age** | **9.97** | 7.17 | 3.84 | 12.42 | (0.89) | (4.17) |
| **Profit After Taxation** | **%age** | **7.16** | 4.56 | 1.78 | 7.78 | (0.98) | (2.67) |
| **Admin & Selling Expenses** | **%age** | **2.07** | 1.82 | 1.23 | 1.57 | 1.51 | 1.33 |

# STATEMENT OF ETHICS AND BUSINESS PRACTICE

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.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2013

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in Listing Regulations of Karachi and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

| Category | Names |
|---|---|
| Executive Directors | Ch. Muhammad Khurshid<br>Ch. Rahman Bakhsh<br>Mr. Muhammad Ali Chaudhry |
| Non-Executive Directors | Mrs. Salma Aziz<br>Mr. Kamran Ilyas<br>Mr. Azhar Khurshid Chaudhry<br>Ms. Kiran A Chaudhry |

2. The directors of the Company have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. On 29 October 2011 at the Annual General Meeting, seven persons were elected as Directors for a three year term, under the provisions of Companies Ordinance, 1984.

5. No casual vacancy in the Board of the Company occurred during the year.

6. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

7. The Board of Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/ shareholders.

9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. As per criteria specified in clause (xi) of the Code, the Board has made arrangements for its Directors to obtain certifications under directors' training programs in order to comply with requirements of the Code. Four out of seven current Directors of the Company are exempt from this requirement of the Code.

11. The Board of the Company approves appointment of Chief Financial Officer / Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment during the year.

12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, two of them are non-executive directors including the Chairman.

19. The Board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company or any of its associated companies or undertakings and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the share price of Company was determined and intimated to directors, employees and stock exchange.

23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

24. We confirm that all other material principles enshrined in the Code have been complied with except for the changes not effective immediately, which shall be complied with upon the next election of directors.

For and on behalf of the Board

CH. MUHAMMAD KHURSHID
Chief Executive Officer

LAHORE: 10 October 2013.

## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013 prepared by the Board of Directors of **Resham Textile Industries Limited** (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited requires the company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 June 2013.

(ERNST & YOUNG FORD RHODES SIDAT HYDER)

CHARTERED ACCOUNTANTS

Name of Audit Engagement Partner: Farooq Hameed

LAHORE: 10 October 2013.

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Resham Textile Industries Limited (the Company)** as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:
   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2013** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, 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.

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Farooq Hameed

LAHORE: 10 October 2013.

## BALANCE SHEET AS AT

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Authorized capital | | | |
| 36,000,000 (2012: 36,000,000) ordinary shares of Rupees 10/- each | | **360,000,000** | 360,000,000 |
| Issued, subscribed and paid up capital | 5 | **360,000,000** | 360,000,000 |
| Unappropriated profit | | **378,798,050** | 206,719,139 |
| **Total equity** | | **738,798,050** | 566,719,139 |
| **Surplus on revaluation of fixed assets** | 6 | **132,849,721** | 144,907,169 |
| **Non-current liabilities** | | | |
| Long term financing | 7 | **-** | 120,184,000 |
| Long term deposits | 8 | **388,888** | 269,441 |
| Deferred liabilities | 9 | **254,936,859** | 233,835,585 |
| | | **255,325,747** | 354,289,026 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **145,598,585** | 151,774,460 |
| Mark-up accrued on financing | 11 | **16,275,744** | 8,938,104 |
| Short term borrowings | 12 | **412,762,986** | 13,379,870 |
| Current portion of non-current liabilities | 13 | **17,634,500** | 38,321,255 |
| Provision for taxation | | **80,044,927** | 63,326,412 |
| | | **672,316,742** | 275,740,101 |
| **Total liabilities** | | **927,642,489** | 630,029,127 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,799,290,260** | 1,341,655,435 |
| **CONTINGENCIES AND COMMITMENTS** | 14 | | |

The annexed notes from 1 to 38 form an integral part of these financial statements.

(Chief Executive Officer)

## 30 JUNE 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **1,020,934,500** | 902,010,474 |
| Long term deposits | | **3,677,560** | 3,669,060 |
| | | **1,024,612,060** | 905,679,534 |
| **Current assets** | | | |
| Stores and spare parts | 16 | **15,197,473** | 28,035,249 |
| Stock in trade | 17 | **608,138,858** | 242,507,425 |
| Trade debts | 18 | **14,510,466** | 12,098,646 |
| Advances | 19 | **4,776,477** | 14,449,684 |
| Trade deposits and short term prepayments | 20 | **2,674,172** | 2,725,778 |
| Other receivables | | **-** | 588,230 |
| Advance income tax - net | | **62,372,076** | 40,979,074 |
| Tax refunds due from the Government | 21 | **7,811,517** | 10,952,054 |
| Cash and bank balances | 22 | **59,197,161** | 83,639,761 |
| | | **774,678,200** | 435,975,901 |
| **TOTAL ASSETS** | | **1,799,290,260** | 1,341,655,435 |

(Director)

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED 30 JUNE 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Sales | 23 | **3,501,701,168** | 3,245,032,903 |
| Cost of sales | 24 | **2,994,485,588** | 2,867,911,491 |
| Gross profit | | **507,215,580** | 377,121,412 |
| Operating expenses: | | | |
| Distribution cost | 25 | **19,757,164** | 26,236,138 |
| Administrative expenses | 26 | **52,815,015** | 32,664,045 |
| | | **72,572,179** | 58,900,183 |
| Operating profit | | **434,643,401** | 318,221,229 |
| Other operating expenses | 27 | **24,388,480** | 18,840,755 |
| | | **410,254,921** | 299,380,474 |
| Other operating income | 28 | **7,920,636** | 6,584,977 |
| | | **418,175,557** | 305,965,451 |
| Finance cost | 29 | **69,154,389** | 73,434,392 |
| Profit before taxation | | **349,021,168** | 232,531,059 |
| Taxation | 30 | **98,233,141** | 84,604,471 |
| Profit after taxation | | **250,788,027** | 147,926,588 |
| Earnings per share - Basic & diluted | | **6.97** | 4.11 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

# STATEMENT OF COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 30 JUNE 2013

| | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|
| Profit after taxation for the year | **250,788,027** | 147,926,588 |
| **Net other comprehensive income not being reclassified to profit or loss in subsequent periods** | | |
| Transferred from surplus on revaluation of fixed assets on account of Incremental depreciation -net of deferred tax | **11,290,884** | 12,285,988 |
| **Total comprehensive income for the year** | **262,078,911** | 160,212,576 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **349,021,168** | 232,531,059 |
| **Adjustment for non-cash charges and other items:** | | |
| Depreciation | **72,018,315** | 70,074,811 |
| (Gain) / Loss on sale of property, plant and equipment | **(327,659)** | 1,606,981 |
| Exchange gain | **-** | (620,887) |
| Provision for gratuity | **11,888,944** | 9,641,813 |
| Finance cost | **69,154,389** | 73,434,392 |
| Provision against Workers' Welfare Fund | **5,717,998** | 4,745,532 |
| Provision against Workers' Profit Participation Fund | **18,670,482** | 12,488,242 |
| | **177,122,469** | 171,370,884 |
| Profit before working capital changes | **526,143,637** | 403,901,943 |
| **Effect on cash flows due to working capital changes** | | |
| **(Increase)/ decrease in current assets:** | | |
| Stores and spare parts | **12,837,776** | 5,143,192 |
| Stock in trade | **(365,631,433)** | 116,089,998 |
| Trade debts | **(2,411,820)** | 73,161,594 |
| Advances | **9,673,207** | (9,643,707) |
| Trade deposits and short term prepayments | **51,606** | (375,158) |
| Tax refunds due from the Government | **3,140,537** | 4,018,947 |
| Other receivables | **588,230** | (588,230) |
| **Increase/(decrease) in current liabilities:** | | |
| Trade and other payables | **(30,564,355)** | (6,224,519) |
| | **(372,316,252)** | 181,582,117 |
| **Cash used in operations** | **153,827,385** | 585,484,060 |
| Finance cost paid | **(61,816,749)** | (86,314,157) |
| Income tax paid | **(84,719,413)** | (37,827,275) |
| Gratuity paid | **(6,648,111)** | (7,386,123) |
| **Net cash generated from operating activities** | **643,112** | 453,956,505 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditure incurred on property,plant and equipment | **(200,427,800)** | (49,384,413) |
| Proceeds from disposal of property, plant and equipment | **6,718,780** | 1,109,373 |
| Increase in long term deposits | **(8,500)** | (1,500) |
| **Net cash (used in)/generated from investing activities** | **(193,717,520)** | (48,276,540) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of long term financing - net | **(138,438,000)** | (32,388,500) |
| Increase in long term deposits | **119,447** | 126,725 |
| Repayment of finance lease liabilities - net | **(2,432,755)** | (71,219,629) |
| Increase in short term borrowings - net | **399,383,116** | (209,191,316) |
| Dividend paid | **(90,000,000)** | (108,000,000) |
| **Net cash generated from financing activities** | **168,631,808** | (420,672,720) |
| **Net decrease in cash and cash equivalents** | **(24,442,600)** | (14,992,755) |
| Cash and cash equivalents at the beginning of the year | **83,639,761** | 98,632,516 |
| **Cash and cash equivalents at the end of the year** | **59,197,161** | 83,639,761 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

**(Chief Executive Officer)** **(Director)**

# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2013

| | Share capital | Un-appropriated profit | Total equity |
|---|---|---|---|
| | ---------- Rupees ---------- | | |
| Balance as at 01 July 2011 | 360,000,000 | 154,506,563 | 514,506,563 |
| Profit after taxation for the year | - | 147,926,588 | 147,926,588 |
| Transferred from surplus on revaluation of fixed assets on account of Incremental depreciation -net of deferred tax | - | 12,285,988 | 12,285,988 |
| Total comprehensive income for the year | - | 160,212,576 | 160,212,576 |
| Final dividend paid for the year 2010-11 at the rate of Rs. 1.5 per share | - | (54,000,000) | (54,000,000) |
| Interim dividend paid for the year 2011-12 at the rate of Rs. 1.5 per share | - | (54,000,000) | (54,000,000) |
| **Balance as at 30 June 2012** | **360,000,000** | **206,719,139** | **566,719,139** |
| Balance as at 01 July 2012 | 360,000,000 | 206,719,139 | 566,719,139 |
| Profit after taxation for the year | - | 250,788,027 | 250,788,027 |
| Transferred from surplus on revaluation of fixed assets on account of Incremental depreciation -net of deferred tax | - | 11,290,884 | 11,290,884 |
| Total comprehensive income for the year | - | 262,078,911 | 262,078,911 |
| Final dividend paid for the year 2011-12 at the rate Rs. 0.5 per share | - | (18,000,000) | (18,000,000) |
| Interim dividend paid for the year 2012-13 at the rate Rs. 1 per share | - | (36,000,000) | (36,000,000) |
| 2nd-Interim dividend paid for the year 2012-13 at the rate Rs. 1 per share | - | (36,000,000) | (36,000,000) |
| **Balance as at 30 June 2013** | **360,000,000** | **378,798,050** | **738,798,050** |

The annexed notes from 1 to 38 form an integral part of these financial statements.

(Chief Executive Officer) (Director)

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2013

## 1. THE COMPANY AND ITS OPERATIONS

Resham Textile Industries Limited (the Company) is a public limited company incorporated in Pakistan on 06 June 1990 under the Companies Ordinance, 1984 and quoted on the Lahore and Karachi stock exchanges. The registered office of the Company is situated at 314- Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirement of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

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

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

| Standard or Interpretation | | Effective date (accounting periods beginning on or after) |
|---|---|---|
| IFRS 7 | – Financial Instruments : Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01-January-2013 |
| IAS 19 | – Employee Benefits - (Revised) | 01-January-2013 |
| IAS 32 | – Offsetting Financial Assets and Financial liabilities – (Amendment) | 01-January-2014 |
| IFRIC 20 | – Stripping Costs in the Production Phase of a Surface Mine | 01-January-2013 |

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 ' Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The siginificant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e, the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the impact of the above amendments which are effective from 1 January 2013 on the financial statements . However, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 9 to the financial statements.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| **Standard or Interpretation** | | **IASB Effective Date (annual periods beginning on or after)** |
|---|---|---|
| IFRS 9 | - Financial Instruments: Classification and Measurement | 01-January-2015 |
| IFRS 10 | - Consolidated Financial Statements | 01-January-2013 |
| IFRS 11 | - Joint Arrangements | 01-January-2013 |
| IFRS 12 | - Disclosure of Interests in Other Entities | 01-January-2013 |
| IFRS 13 | - Fair Value Measurement | 01-January-2013 |

**2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2013**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any significant impact on the financial statements.

## 3. BASIS OF PREPARATION

### 3.1 BASIS OF MEASUREMENT

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

### 3.2 PRESENTATION CURRENCY

These financial statements are presented in Pak Rupee, which is the Company's functional currency.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**4.1** The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.2.

### 4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Employee benefits (Note 4.7);
- Taxation (Note 4.10);
- Useful lives and residual value of property, plant and equipment (Note 4.13)

### 4.3 Surplus on revaluation of property, plant and equipment

This represents the surplus arising on the revaluation of operating property, plant and equipment of the Company. Revaluation surplus is credited to the "surplus on revaluation of property, plant and equipment" presented below equity (in accordance with the requirements of section 235 of Companies Ordinance, 1984) except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss and in which case the increase is recognized in profit and loss account. An annual transfer from the surplus on revaluation of property, plant and equipment (net of deferred tax) to un-appropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

i) to the extent actually realized on disposal of the assets which are revalued;
ii) to the extent of incremental depreciation arising out of revaluation of property, plant and equipment; or
iii) setting-off or in diminution of any deficit arising from the revaluation of any other property, plant and equipment of the Company.

### 4.4 Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of amount received less directly attributable transaction costs. After initial recognition, long term interest-bearing loans and borrowings are measured at amortized cost using the effective interest method while short term borrowings are measured at fair value. Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

### 4.5 Liabilities against assets subject to finance lease

Leases, where the Company has substantially all the risks and rewards of ownership of assets, are classified as finance leases. At inception, finance leases are recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

### 4.6 Ijarah assets

The Company recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

### 4.7 Employee benefits

The Company operates an unfunded gratuity scheme for its permanent employees. The latest valuation was carried out as at 30 June 2012 using the projected unit credit method. Actuarial gains and losses on defined benefit plans are recognized on the basis of corridor approach as per IAS 19. The future contribution rates of this plan include allowances for deficit and surplus. Following significant assumptions were used for valuation of this scheme:

- Expected rate of increase in salary level is 12 % (2011: 11 %) per annum.
- Discount rate of 13% (2011: 12%) per annum.
- Average remaining working lives of employees: 5 years (2011: 5 years)

Actuarial gains and losses in excess of corridor limit as of the balance sheet date are recognized over the remaining service lives of employees.

### 4.8 Provisions

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

### 4.9 Dividend

Dividend distribution to the Company's shareholders and appropriation to reserve are recognized in the period in which these are approved.

### 4.10 Taxation

**Current**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using current rate of tax after taking into account rebates and tax credits, 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.

**Deferred**

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized.

Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to / credited in the profit and loss account except in case of items credited or charged to equity in which case it is included in equity.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

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

### 4.11 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

### 4.12 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decision. The management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment.

### 4.13 Property, plant and equipment

#### 4.13.1 Operating fixed assets and depreciation

**a) Cost**

Operating fixed assets except land, building and plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing a part of such assets when that cost is incurred if the recognition criteria are met. Capital work-in-progress is stated at cost less accumulated impairment loss, if any. Building and plant and machinery are stated at revalued amount less accumulated depreciation, while land is stated at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

**b) Depreciation**

Depreciation is charged to profit and loss account on reducing balance method to write off the cost of operating fixed assets less their residual values over their expected useful lives at the rates mentioned in Note 15.1.

Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

**c) Derecognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit and loss account in the year the asset is derecognized.

#### 4.13.2 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets. Assets so acquired are depreciated over their expected useful lives at the rates mentioned in Note 15.1. Depreciation of leased assets is charged to current year's profit and loss account.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

### 4.14 Stores and spare parts

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving items based on management estimate.

### 4.15 Stock in trade

These are valued at lower of cost and net realizable value. Basis of determining cost is as follows: -

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

Average manufacturing cost in relation to work in process and finished goods signifies cost including a portion of related direct overheads.

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

### 4.16 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

### 4.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4.18 Financial instruments

Financial instruments comprise long term deposits, trade debts, other receivables, cash and bank balances, long term financings, short term borrowings and trade and other payables.

Financial assets and liabilities are recognized at the time the Company becomes a party to contractual provisions of the instruments.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

**4.19 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

**4.20 Revenue recognition**

**a) Sale of goods**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with the delivery of goods to customers. Export goods are considered dispatched when shipped on board.

**b) Interest income**

Return on bank deposit is accrued on a time proportion basis by reference to the principal outstanding on the applicable rate of return.

**4.21 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred.

**4.22 Foreign currencies**

Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

**4.23 Related party transactions**

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

**5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

| 2013 | 2012 | | 2013 | 2012 |
|---|---|---|---|---|
| (Number of shares) | | | Rupees | Rupees |
| 36,000,000 | 36,000,000 | Ordinary shares of Rs.10 each fully paid in cash | 360,000,000 | 360,000,000 |

## 6. SURPLUS ON REVALUATION OF FIXED ASSETS

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Surplus on revaluation of fixed assets as at 01 July | **207,533,325** | 226,254,402 |
| Surplus on revalued assets disposed off | **(3,094,336)** | - |
| Additions during the year | | - |
| Surplus relating to incremental depreciation charge on related assets - transferred to unappropriated profit | **(16,977,956)** | (18,721,077) |
| Surplus on revaluation of fixed assets as at 30 June | **187,461,033** | 207,533,325 |
| Less: Related deferred tax liability on: | | |
| - Balance as at 01 July | **(62,626,156)** | (69,339,952) |
| - Decrease / (increase) due to change in proportionate local sales | **1,291,268** | 278,707 |
| - Fixed assets disposed off during the year | **1,036,504** | - |
| - Incremental depreciation charged during the year | **5,687,072** | 6,435,089 |
| | **(54,611,312)** | (62,626,156) |
| | **132,849,721** | 144,907,169 |

The Company had revalued its freehold land, factory building, office building and plant and machinery on 30 June 2010. The revaluation exercise was carried out by M/s Harvest (Pvt.) Ltd to replace the carrying amount of freehold land with current market value and other assets with their depreciated market values. The surplus arisen on the revaluation aggregating to Rs. 136,707,417 was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

## 7. LONG TERM FINANCING

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **From banking companies and other financial institution - Secured** | | | |
| National Bank of Pakistan | **7.1** | **-** | 112,803,500 |
| Orix Investment Bank Pakistan Limited | | **-** | 8,000,000 |
| Faysal Bank Limited | | **17,634,500** | 35,269,000 |
| | | **17,634,500** | 156,072,500 |
| Less: Current portion | **13** | **17,634,500** | 35,888,500 |
| | | **-** | 120,184,000 |

**7.1** The facility was obtained for purchase of gas generators. The loan is repayable in six years, including two years grace period, in 8 equal half yearly principal installments which started from 26 October 2010. The rate of mark-up is State Bank of Pakistan rate plus 2% (2012: State Bank of Pakistan rate plus 2%) per annum. Security of the loan is ranking charge on fixed assets of the Company amounting to Rs. 92 million. The loan is further secured by personal guarantee of the directors.

## 8. LONG TERM DEPOSITS

These represent deposits taken from employees against future transfer of Company owned vehicles to them.

## 9. DEFERRED LIABILITIES

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Deferred taxation | **9.1** | **234,407,434** | 218,546,993 |
| Gratuity - unfunded | **9.2** | **20,529,425** | 15,288,592 |
| | | **254,936,859** | 233,835,585 |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **9.1 Deferred taxation** | | | |
| **Taxable temporary differences** | | | |
| Surplus on revaluation of fixed assets | | **54,611,311** | 62,626,155 |
| Accelerated tax depreciation | | **186,672,823** | 157,323,315 |
| Assets subject to finance lease | | **-** | 3,852,747 |
| | | **241,284,134** | 223,802,217 |
| **Deductible temporary differences** | | | |
| Unapproved gratuity | | **(6,876,700)** | (5,255,224) |
| | | **234,407,434** | 218,546,993 |

**9.2 Gratuity - unfunded defined benefit scheme**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| The amount recognized in balance sheet is as follows: | | |
| Present value of defined benefit obligation | **24,203,663** | 19,396,479 |
| Unrecognized actuarial losses | **(3,674,238)** | (4,107,887) |
| Liability recognized in the balance sheet | **20,529,425** | 15,288,592 |

**9.3 Movement in net liability recognized in the balance sheet**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Liability at the beginning of the year | **15,288,592** | 13,032,902 |
| Charge for the year | **11,888,944** | 9,641,813 |
| | **27,177,536** | 22,674,715 |
| Paid during the year | **(6,648,111)** | (7,386,123) |
| Liability at the end of the year | **20,529,425** | 15,288,592 |

**9.4 Charge for the year**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Current service cost | **8,933,751** | 7,905,972 |
| Interest cost | **2,521,544** | 1,735,841 |
| Actuarial losses recognized | **433,649** | - |
| Charge for the year | **11,888,944** | 9,641,813 |

**9.5 The charge for the year has been allocated as follows:**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sales | **24** | **9,755,568** | 8,498,265 |
| Distribution cost | **25** | **728,124** | 249,016 |
| Administrative expenses | **26** | **1,405,252** | 894,532 |
| | | **11,888,944** | 9,641,813 |

**9.6 Historical information**

| | **2013** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|---|
| Present value of defined benefit obligations at the end of the year | 20,529,425 | 15,288,592 | 13,032,902 | 8,062,722 | 4,010,841 |
| Experience adjustment arising on plan liabilities losses | -18% | -12% | -11% | -19% | -9% |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **10. TRADE AND OTHER PAYABLES** | | | |
| Creditors | | **24,734,590** | 18,726,774 |
| Morabaha finance | **10.1** | **10,000,000** | 10,000,000 |
| Accrued liabilities | | **53,705,354** | 39,411,294 |
| Advances from customers | **10.2** | **21,082,676** | 56,742,929 |
| Advance from brokers against customers | | **9,900,165** | 6,729,665 |
| Ijarah rental payable | | **318,604** | 1,638,334 |
| Unclaimed WPPF | | **783,523** | 783,523 |
| Workers' Profit Participation Fund | **10.3** | **18,670,482** | 12,488,242 |
| Workers' Welfare Fund | **10.4** | **5,717,998** | 4,745,532 |
| Unclaimed dividend | | **585,193** | 408,167 |
| Others | | **100,000** | 100,000 |
| | | **145,598,585** | 151,774,460 |

**10.1** This facility has been obtained against sanctioned limit of Rs. 10 million (2012: Rs. 10 million) to finance working capital requirements of the Company for purchase of raw material and is renewable quarterly. The rate of mark-up is 3 months KIBOR plus 2.75% per annum (2012: 3 months KIBOR plus 2.75% per annum). This is secured against first pari passu charge on all current assets of the Company amounting to Rs. 14 million and personal guarantees of all the directors except employee directors of the Company.

**10.2** These represent advances against sale of yarn and carry no mark-up.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **10.3 Workers' Profit Participation Fund** | | | |
| Balance at the beginning of the year | | **12,488,242** | 7,644,124 |
| Charge for the year | **27** | **18,670,482** | 12,488,242 |
| | | **31,158,724** | 20,132,366 |
| Less: Payments made during the year | | **12,488,242** | 7,644,124 |
| Closing balance | | **18,670,482** | 12,488,242 |
| **10.4 Workers' Welfare Fund** | | | |
| Balance at the beginning of the year | | **4,745,532** | 2,904,880 |
| Charge for the year | **27** | **5,717,998** | 4,745,532 |
| | | **10,463,530** | 7,650,412 |
| Less: Payments made during the year | | **4,745,532** | 2,904,880 |
| Closing balance | | **5,717,998** | 4,745,532 |
| **11. ACCRUED MARK-UP ON FINANCING** | | | |
| Long term financing | | **368,634** | 4,794,258 |
| Short term borrowings and morabaha finance | | **15,900,934** | 4,136,184 |
| Liabilities against assets subject to finance lease | | **6,176** | 7,662 |
| | | **16,275,744** | 8,938,104 |
| **12. SHORT TERM BORROWINGS** | | | |
| ***Secured:*** | | | |
| Cash finance | **12.1** | **412,762,986** | 13,379,870 |

**12.1** The aggregate facility of short term finances from commercial banks available at year end is Rs. 1,065 million (2012: Rs. 715 million). The rates of mark-up range from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.75% per annum (2012: 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.75% per annum). These facilities are secured against pledge of cotton bales (with 10% for local and imported cotton), yarn bags, first pari passu charge of Rs. 25 million on all current assets of the Company and personal guarantee of the directors of the Company.

## 13. CURRENT PORTION OF NON-CURRENT LIABILITIES

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Long term financing | 7 | **17,634,500** | 35,888,500 |
| Liabilities against assets subject to finance lease | | **-** | 2,432,755 |
| | | **17,634,500** | 38,321,255 |

## 14. CONTINGENCIES AND COMMITMENTS

**Contingencies:**

Order under section 122(5A) of the Income Tax Ordinance, 2001 (ITO 2001) for tax year 2005 was issued by CIR(A), which raised a demand amounting to Rs. 74,047,800 against the Company. The CIR(A) set aside the order and directed the assessing officer to decide the case on merit in the light of the submissions of the Company's lawyers, vide order dated 31 March 2012 and the decision was taken in favor of the Company. The department has now filed an appeal against CIR(A) before the ATIR which is pending adjudication.

Order under section 122(5A) of the Income Tax Ordinance, 2001 (ITO 2001) for tax year 2006 was issued by CIR(A), which raised a demand amounting to Rs. 667,372 against the Company. The CIR(A) granted partial relief vide order dated 23 October 2012 and deleted the addition under section 21(C). Against the order of the CIR(A), the Company has filed appeal before the ATIR, which is pending adjudication

No provision has been made in these financial statements against the above as the tax consultant of the Company, in view of the merits of the submissions of the Company, is confident that the decisions will be taken in favor of the Company.

**Commitments:**

**Ijarah commitments**

The Company has entered into Ijarah arrangement for plant and machinery with an Islamic Bank. These arrangements have remaining term of less than one year. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future Ijarah payments due under these arrangements, as at 30 June are as follows:

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Within one year | **2,617,270** | 10,607,516 |
| After one year but not more than five years | **-** | 2,651,879 |
| | **2,617,270** | 13,259,395 |

**Other commitments**

The bank guarantees aggregating to Rs. 40,943,000 (2012: Rs. 40,943,000) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rs. 1,011,565 (2012: Rs. 1,011,565) have been deposited with the respective banks.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Operating assets | 15.1 | **1,019,514,692** | 893,578,782 |
| Capital work-in-progress | 15.6 | **1,420,205** | 8,431,692 |
| | | **1,020,934,500** | 902,010,474 |

## 15.1 Operating assets

| PARTICULARS | BALANCE AS AT 01 JULY 2012 | | | RECONCILIATION | | | | BALANCE AS AT 30 JUNE 2013 | | | RATE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost/ revalued amount | Accumulated depreciation | Net book value | Additions | DELETIONS (Cost / revalued amount) / Accumulated Depreciation | Transfers Cost/ (Accumulated Depreciation) | Depreciation charge for the year | Cost / revalued amount | Accumulated depreciation | Net book value | |
| | R U P E E S | | | | | | | | | | |
| **Owned assets** | | | | | | | | | | | |
| Free hold land | 30,455,100 | - | 30,455,100 | | | | | 30,455,100 | - | 30,455,100 | - |
| Building | | | | | | | | | | | |
| -Factory | 131,940,616 | 24,923,027 | 107,017,589 | 27,681,049 | - | - | 10,932,434 | 159,621,665 | 35,855,461 | 123,766,204 | 10 |
| -Residential | 30,349,849 | 2,959,115 | 27,390,734 | 9,002,720 | - | - | 1,407,047 | 39,352,569 | 4,366,162 | 34,986,407 | 5 |
| Plant and machinery | 615,190,326 | 73,564,076 | 541,626,249 | 155,671,388 | (7,924,619)<br>1,338,153 | 211,797,108<br>(86,606,206) | 42,943,818 | 976,072,356 | 203,114,100 | 772,958,256 | 10 |
| Electric installations | 28,584,644 | 10,735,337 | 17,849,307 | - | - | - | 1,214,928 | 28,584,644 | 11,950,265 | 16,634,379 | 10 |
| Mills equipment | 8,874,405 | 3,131,768 | 5,742,637 | 8,622,657 | (35,800)<br>10,390 | 21,241,646<br>(8,688,031) | 458,543 | 38,713,298 | 12,278,342 | 26,434,956 | 10 |
| Office equipment | 2,357,529 | 603,386 | 1,754,143 | 149,533 | - | - | 182,784 | 2,507,062 | 786,170 | 1,720,892 | 10 |
| Furniture and fixtures | 1,121,360 | 606,845 | 514,515 | - | - | - | 33,276 | 1,121,360 | 640,121 | 481,239 | 10 |
| Vehicles | 15,515,216 | 5,919,130 | 9,596,086 | 6,311,940 | (3,895,159)<br>1,021,575 | - | 977,663 | 18,953,572 | 6,896,793 | 12,056,779 | 20 |
| Arms and ammunition | 43,620 | 21,909 | 21,711 | - | - | - | 1,628 | 43,620 | 23,537 | 20,083 | 10 |
| | 864,432,665 | 122,464,593 | 741,968,072 | 207,439,287 | (11,855,578)<br>2,370,118 | 233,038,754<br>(95,294,237) | 58,152,121 | 1,295,425,246 | 275,910,951 | 1,019,514,295 | |
| **Assets subject to finance lease** | | | | | | | | | | | |
| - Plant and machinery | 211,797,108 | 74,006,893 | 137,790,215 | - | - | (211,797,108)<br>86,606,206 | 12,599,313 | - | - | - | 10 |
| - Electric Installation | 21,241,646 | 7,421,151 | 13,820,495 | - | - | (21,241,646)<br>8,688,031 | 1,266,881 | - | - | - | 10 |
| | 233,038,754 | 81,428,044 | 151,610,710 | - | - | (233,038,754)<br>95,294,237 | 13,866,194 | - | - | - | |
| | 1,097,471,419 | 203,892,637 | 893,578,782 | 207,439,287 | (11,855,578)<br>2,370,118 | -<br>- | 72,018,315 | 1,295,425,246 | 275,910,951 | 1,019,514,295 | |

| PARTICULARS | 2012 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | BALANCE AS AT 01 JULY 2011 | | | RECONCILIATION | | | | BALANCE AS AT 30 JUNE 2012 | | | RATE (%) |
| | Cost/ revalued amount | Accumulated depreciation | Net book value | Additions | DELETIONS (Cost / revalued amount) / Accumulated Depreciation | Transfers Cost/ (Accumulated Depreciation) | Depreciation charge for the year | Cost / revalued amount | Accumulated depreciation | Net book value | |
| | R U P E E S | | | | | | | | | | |
| **Owned assets** | | | | | | | | | | | |
| Free hold land | 30,455,100 | - | 30,455,100 | - | - | - | - | 30,455,100 | - | 30,455,100 | - |
| Building | | | | | | | | | | | |
| -Factory | 131,940,616 | 13,032,180 | 118,908,436 | - | - | - | 11,890,847 | 131,940,616 | 24,923,027 | 107,017,589 | 10 |
| -Residential | 30,349,849 | 1,517,495 | 28,832,354 | - | - | - | 1,441,620 | 30,349,849 | 2,959,115 | 27,390,734 | 5 |
| Plant and machinery | 582,019,140 | 36,719,467 | 545,299,673 | 35,056,156 | (1,884,970)<br>210,292 | - | 37,054,901 | 615,190,326 | 73,564,076 | 541,626,250 | 10 |
| Electric installations | 26,409,644 | 9,561,681 | 16,847,963 | 2,175,000 | - | - | 1,173,656 | 28,584,644 | 10,735,337 | 17,849,307 | 10 |
| Mills equipment | 7,536,782 | 2,794,732 | 4,742,050 | 1,337,623 | - | - | 337,036 | 8,874,405 | 3,131,768 | 5,742,637 | 10 |
| Office equipment | 1,736,947 | 451,032 | 1,285,915 | 620,582 | - | - | 152,354 | 2,357,529 | 603,386 | 1,754,143 | 10 |
| Furniture and fixtures | 1,085,360 | 571,899 | 513,461 | 36,000 | - | - | 34,946 | 1,121,360 | 606,845 | 514,515 | 10 |
| Vehicles | 15,456,733 | 5,403,932 | 10,052,801 | 1,727,360 | (1,668,877)<br>627,201 | - | 1,142,399 | 15,515,216 | 5,919,130 | 9,596,086 | 20 |
| Arms and ammunition | 43,620 | 20,493 | 23,127 | - | - | - | 1,416 | 43,620 | 21,909 | 21,711 | 10 |
| | 827,033,791 | 70,072,911 | 756,960,880 | 40,952,721 | (3,553,847)<br>837,493 | -<br>- | 53,229,175 | 864,432,665 | 122,464,593 | 741,968,072 | |
| **Assets subject to finance lease** | | | | | | | | | | | |
| - Plant and machinery | 211,797,108 | 58,696,872 | 153,100,236 | - | - | - | 15,310,021 | 211,797,108 | 74,006,893 | 137,790,215 | 10 |
| - Electric Installation | 21,241,646 | 5,885,536 | 15,356,110 | - | - | - | 1,535,615 | 21,241,646 | 7,421,151 | 13,820,495 | 10 |
| | 233,038,754 | 64,582,408 | 168,456,346 | - | - | - | 16,845,636 | 233,038,754 | 81,428,044 | 151,610,710 | |
| | 1,060,072,545 | 134,655,319 | 925,417,226 | 40,952,721 | (3,553,847)<br>837,493 | - | 70,074,811 | 1,097,471,419 | 203,892,637 | 893,578,782 | |

**15.2** Additions to plant and machinery includes transfer from leased assets having net book value of Rs. 137,744,517 (2012: Nil) representing cost of Rs. 233,038,754 (2012: Nil) less accumulated depreciation of Rs. 95,294,237 (2012: Nil).

**15.3** Depreciation charge for the year has been allocated as follows:

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sales | 24 | 70,822,964 | 68,743,696 |
| Administrative expenses | 26 | 1,195,351 | 1,331,115 |
| | | 72,018,315 | 70,074,811 |

**15.4** Had there been no revaluation, the related figures of freehold land, building, plant and machinery at 30 June would have been as follows:

| Particulars | Balance As at 30 June 2013 | | | Balance As at 30 June 2012 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| | RUPEES | | | | | |
| **Owned Assets:** | | | | | | |
| Free hold Land | 6,028,479 | - | 6,028,479 | 6,028,479 | - | 6,028,479 |
| Building | | | | | | |
| Factory | 168,015,431 | 100,597,574 | 67,417,857 | 140,334,382 | 89,665,140 | 50,669,242 |
| Residential | 20,003,884 | 7,264,867 | 12,739,017 | 11,001,164 | 5,857,820 | 5,143,344 |
| Plant and Machinery | 1,181,563,997 | 530,276,524 | 651,287,473 | 822,020,120 | 402,064,653 | 419,955,467 |
| | 1,375,611,791 | 638,138,965 | 737,472,826 | 979,384,145 | 497,587,613 | 481,796,532 |

**15.5** Detail of the assets disposed off during the year is as follows:

| Description | Cost/ revalued amount | Accumulated Depreciation | Book Value | Sale Proceeds | Mode of Disposal | Particulars of Purchaser |
|---|---|---|---|---|---|---|
| | Rupees | | | | | |
| **Plant and Machinery** | | | | | | |
| Uster Tester-III | 2,250,000 | 343,406 | 1,906,594 | 1,650,000 | Market (Negotiation) | Acro Spinning & Weaving |
| Auto Plucker (China) | 718,403 | 124,194 | 594,209 | 51,724 | Market (Negotiation) | Ghani & Company |
| MPM-6 (Trutzschler) | 1,251,863 | 216,416 | 1,035,447 | 1,117,241 | Market (Negotiation) | Shadman Cotton Mills Ltd |
| BOB & Parts (Trutzschler) | 672,297 | 118,470 | 553,827 | 123,610 | Market (Negotiation) | Altaf Engineering & Ghani & Company |
| ASTA (Trutzschler) | 201,689 | 34,867 | 166,822 | 16,379 | Market (Negotiation) | Ghani & Company |
| Auto Plucker (China) | 333,333 | 57,625 | 275,708 | 25,862 | Market (Negotiation) | Ghani & Company |
| Auto Plucker (China) | 333,333 | 59,312 | 274,021 | 25,862 | Market (Negotiation) | Ghani & Company |
| Auto Plucker (China) | 333,333 | 61,000 | 272,333 | 25,862 | Market (Negotiation) | Ghani & Company |
| Lab Equipment's | 750,000 | 133,453 | 616,547 | 350,000 | Market (Negotiation) | H.A Haq Spinning Mills |
| ASTA (Trutzschler) | 521,624 | 92,817 | 428,807 | 50,000 | Market (Negotiation) | H.A Haq Spinning Mills |
| ASTA (Trutzschler) | 558,744 | 96,593 | 462,151 | 16,380 | Market (Negotiation) | Ghani & Company |
| **Mill Equipment** | | | | | | |
| PEL Window AC | 35,800 | 10,390 | 25,410 | 8,500 | Market Negotiation | Open Market |
| **Vehicles** | | | | | | |
| LRU - 390 | 853,370 | 53,312 | 800,058 | 800,000 | Market Negotiation | Hassan Badar |
| LWQ - 7860 | 1,109,597 | 631,767 | 477,830 | 800,000 | Market Negotiation | Jamsheed Hussain |
| LOT - 9989 | 272,902 | 254,569 | 18,333 | 80,000 | Market Negotiation | M. Sultan Mehboob Shah |
| LEC - 12 - 7860 | 1,659,290 | 81,927 | 1,577,363 | 1,577,360 | Market Negotiation | Ms. Shaheen Arshad |
| | 11,855,578 | 2,370,118 | 9,485,460 | 6,718,780 | | |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **15.6 Capital work in progress** | | | |
| Opening | | **8,431,692** | - |
| Additions | | **34,645,572** | 8,431,692 |
| Transfers | | **(41,657,059)** | - |
| Closing | | **1,420,205** | 8,431,692 |

This represents expenses incurred and advances given in relation to mill building and import of machinery.

**16. STORES AND SPARES**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Stores | **639,376** | 370,642 |
| Spares | **14,394,202** | 24,244,798 |
| Stores in transit | **163,895** | 3,419,809 |
| | **15,197,473** | 28,035,249 |

**17. STOCK IN TRADE**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Raw material | **528,539,854** | 137,412,680 |
| Work in process | **20,014,761** | 19,487,493 |
| Finished goods | **54,306,159** | 81,772,621 |
| Packing material | **4,772,465** | 3,641,592 |
| Waste | **505,619** | 193,039 |
| | **608,138,858** | 242,507,425 |

**18. TRADE DEBTS - considered good**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Unsecured | | |
| Trade debts - considered good | **14,510,466** | 12,098,646 |
| Trade debts - considered doubtful | **-** | - |
| | **14,510,466** | 12,098,646 |

**18.1 Trade debts - considered doubtful**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Opening balance | **-** | - |
| Provision made during the year | **10,935** | - |
| Trade debts written off | **(10,935)** | - |
| Closing balance | **-** | - |

**19. ADVANCES**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Considered good - unsecured | | |
| Suppliers | **2,519,388** | 12,054,194 |
| Employees | **2,257,089** | 2,395,490 |
| | **4,776,477** | 14,449,684 |

**19.1 Advances to suppliers - unsecured**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Advance to staff, unsecured - considered good | **3,262,992** | - |
| Advance to staff, unsecured - considered doubtful | **(743,604)** | - |
| | **2,519,388** | - |

**19.2 Advances to suppliers, unsecured - considered doubtful**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Opening balance | **-** | - |
| Provision made during the year | **3,001,804** | - |
| Trade debts written off | **(2,258,200)** | - |
| Closing balance | **743,604** | - |

**19.3** No advances were given to the Chief Executive Officer, Directors and Executives of the Company.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS** | | | |
| Bank guarantee margin | | **1,011,565** | 1,011,565 |
| Prepayments | | **1,662,607** | 1,714,213 |
| | | **2,674,172** | 2,725,778 |

**21. TAX REFUNDS DUE FROM THE GOVERNMENT**

This represents sales tax refundable

**22. CASH AND BANK BALANCES**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cash in hand | | **856,856** | 590,066 |
| Cash at bank: | | | |
| - Current accounts | | **11,593,728** | 659,016 |
| - Deposit accounts | **22.1** | **46,746,577** | 82,390,679 |
| | | **58,340,305** | 83,049,695 |
| | | **59,197,161** | 83,639,761 |

**22.1** These carry profit at the rate ranging from 5% to 10.75% (2012: 5% to 10.75%) per annum.

**23. SALES**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Local | | **3,484,622,602** | 3,128,933,798 |
| Export | | **-** | 74,928,481 |
| Waste | | **41,835,149** | 41,170,624 |
| | | **3,526,457,751** | 3,245,032,903 |
| Less: Sales tax | | **24,756,583** | - |
| | | **3,501,701,168** | 3,245,032,903 |

**24. COST OF SALES**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Opening raw material | | **137,412,680** | 267,296,912 |
| Add: Purchases | | **2,780,457,159** | 2,277,118,139 |
| Available for consumption | | **2,917,869,839** | 2,544,415,051 |
| Less: Closing stock | | **(528,539,854)** | (137,412,680) |
| Raw material consumed | | **2,389,329,985** | 2,407,002,371 |
| Salaries, wages and benefits | **24.1** | **168,164,659** | 124,698,701 |
| Fuel and power | | **218,131,787** | 167,810,971 |
| Packing material consumed | | **37,422,259** | 33,136,974 |
| Stores and spare parts consumed | | **63,840,889** | 56,189,000 |
| Ijarah rentals | | **8,621,167** | 8,866,972 |
| Insurance | | **4,294,341** | 3,809,037 |
| Repairs and maintenance | | **5,320,677** | 7,955,803 |
| Depreciation | **15.3** | **70,822,964** | 68,743,696 |
| Others | | **1,910,246** | 1,894,562 |
| | | **2,967,858,974** | 2,880,108,087 |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Add: Opening work in process | | **19,487,493** | 24,131,087 |
| Less: Closing work in process | | **(20,014,761)** | (19,487,493) |
| | | **(527,268)** | 4,643,594 |
| Cost of goods manufactured | | **2,967,331,706** | 2,884,751,681 |
| Add: Opening finished goods and waste | | **81,965,660** | 65,125,470 |
| Less: Closing finished goods and waste | | **(54,811,778)** | (81,965,660) |
| | | **27,153,882** | (16,840,190) |
| | | **2,994,485,588** | 2,867,911,491 |

**24.1** This includes an amount of Rs. 9,755,568 (2012: Rs. 8,498,265) representing gratuity expense for the year.

## 25. DISTRIBUTION COST

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Salaries and other benefits | **25.1** | **3,582,682** | 2,572,416 |
| Commission on sales | | **15,912,943** | 19,161,442 |
| Freight and forwarding | | **70,650** | 3,652,661 |
| Export development surcharge | | **-** | 187,417 |
| Other expenses | | **190,889** | 662,202 |
| | | **19,757,164** | 26,236,138 |

**25.1** This includes an amount of Rs. 728,124 (2012: Rs. 249,016) representing gratuity expense for the year.

## 26. ADMINISTRATIVE EXPENSES

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Directors' remuneration | | **3,650,688** | 2,905,168 |
| Salaries and other benefits | **26.1** | **11,562,516** | 8,806,114 |
| Electricity, gas and water | | **362,358** | 537,175 |
| Postage, telephone and telex | | **898,833** | 923,562 |
| Rent, rates and taxes | | **1,288,517** | 1,410,617 |
| Insurance | | **328,456** | 275,942 |
| Advertisement | | **68,872** | 66,014 |
| Traveling and conveyance | | **216,163** | 177,761 |
| Auditors' remuneration | **26.2** | **630,000** | 630,000 |
| Legal and professional | | **535,800** | 355,560 |
| Fees and subscription | | **894,324** | 1,220,560 |
| Printing and stationery | | **310,132** | 292,909 |
| Entertainment | | **753,545** | 687,550 |
| Charity and donations | **26.3** | **23,430,000** | 10,650,000 |
| Books and periodicals | | **70,313** | 52,847 |
| Repairs and maintenance | | **394,836** | 386,491 |
| Vehicle running and maintenance | | **1,775,064** | 1,551,750 |
| Depreciation | **15.3** | **1,195,351** | 1,331,115 |
| Bad debts | **18.1** | **10,935** | - |
| Advances written off | **19.2** | **2,258,200** | - |
| Provision for doubtful advances | **19.2** | **743,604** | - |
| Others | | **1,436,508** | 402,910 |
| | | **52,815,015** | 32,664,045 |

**26.1** This includes an amount of Rs. 1,405,252 (2012: Rs. 894,532) representing gratuity expense for the year.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **26.2 Auditors' remuneration** | | | |
| Statutory audit | | **500,000** | 500,000 |
| Half yearly review | | **75,000** | 75,000 |
| Other certifications | | **25,000** | 25,000 |
| Out of pocket expenses | | **30,000** | 30,000 |
| | | **630,000** | 630,000 |

**26.3 Donations**

None of the directors or their spouses had any interest in any of the donees.

**27. OTHER OPERATING EXPENSES**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Workers' Profit Participation Fund | | **18,670,482** | 12,488,242 |
| Workers' Welfare Fund | | **5,717,998** | 4,745,532 |
| Loss on sale of property, plant and equipment | | **-** | 1,606,981 |
| | | **24,388,480** | 18,840,755 |

**28. OTHER OPERATING INCOME**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Income from financial assets | **28.1** | **4,029,463** | 3,269,501 |
| Income from assets other than financial assets | **28.2** | **3,891,173** | 3,315,476 |
| | | **7,920,636** | 6,584,977 |

**28.1 Income from financial assets:**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Return on bank deposits | | **2,581,915** | 2,648,614 |
| Creditors written back | | **252,738** | - |
| Exchange gain | | **-** | 620,887 |
| Mark-up on finance lease received due to subsidized rate | | **1,194,810** | - |
| | | **4,029,463** | 3,269,501 |

**28.2 Income from assets other than financial assets:**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Net gain on disposal of property, plant and equipment | | **327,659** | - |
| Sale of scrap and miscellaneous Income | | **3,563,514** | 3,315,476 |
| | | **3,891,173** | 3,315,476 |

**29. FINANCE COST**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Interest / mark-up on: | | | |
| Liabilities against assets subject to finance lease | | **170,766** | 6,271,788 |
| Long term financing | | **12,122,142** | 22,078,694 |
| Loans from directors | | **1,051,934** | 1,268,597 |
| Short term borrowings and morabaha finance | | **53,392,213** | 41,615,667 |
| Mark up paid on WPPF | | **607,958** | 419,616 |
| | | **67,345,013** | 71,654,362 |
| Bank charges and commission | | **1,809,376** | 1,780,030 |
| | | **69,154,389** | 73,434,392 |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|

## 30. TAXATION

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Current | | | |
| - for the year | 30.1 | **80,044,927** | 63,326,412 |
| Deferred | | | |
| - for the year | | **24,432,414** | 21,278,059 |
| - due to reduction in tax rate | | **(6,244,200)** | - |
| | | **18,188,214** | 21,278,059 |
| | | **98,233,141** | 84,604,471 |

### 30.1 Relationship between tax expenses and accounting profit

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Profit before taxation | **349,021,168** | 232,531,059 |
| Current Taxation: | | |
| Tax at applicable tax rate of 35% (2012:35%) | **122,157,409** | 81,385,871 |
| Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account | **31,313,927** | 29,972,201 |
| Tax effect of expenses that are deductible in determining taxable income not charged to profit and loss account | **(55,407,678)** | (48,776,347) |
| Tax effect of income under presumptive tax regime | **-** | (916,249) |
| Effect of tax credits | **(18,018,730)** | 1,660,936 |
| | **80,044,927** | 63,326,412 |

## 31. EARNING PER SHARE - BASIC AND DILUTED

| | | 2013 | 2012 |
|---|---|---|---|
| Net profit for the year | Rupees | **250,788,027** | 147,926,588 |
| Weighted average number of shares | Number | **36,000,000** | 36,000,000 |
| Basic earning per share | Rupees | **6.97** | 4.11 |

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

## 32. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Chief Executive** | **Directors** | **Executives** | Chief Executive | Directors | Executives |
| | ---------------------------- Rupees ------------------------ | | | | | |
| Managerial remuneration | **893,301** | **1,540,490** | **4,023,080** | 812,093 | 1,124,685 | 3,602,452 |
| Utilities | **89,330** | **154,049** | **402,308** | 81,209 | 112,469 | 360,244 |
| House rent | **357,321** | **616,197** | **1,609,231** | 324,838 | 449,874 | 1,440,982 |
| | **1,339,952** | **2,310,736** | **6,034,619** | 1,218,140 - | 1,687,028 | 5,403,678 |
| Number of persons | **1** | **2** | **5** | 1 | 2 | 5 |

**32.1** In addition, the above persons have been provided with the Company maintained cars.

**32.2** No fee is paid to the Chief Executive Officer or any director of the Company for attending the meetings.

## 33. TRANSACTIONS WITH RELATED PARTIES

The related parties include directors of the Company and key management personnel . There are no transactions with key management except those in accordance with the terms of their employment.

| Relationship with the Company | Nature of transaction | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Directors | Loan received during the year | **74,844,000** | 29,063,000 |
| | Long term loan repaid | **74,844,000** | 29,063,000 |
| | Interest on loans | **1,051,934** | 1,268,597 |
| | Rent paid during the year | **487,320** | 487,320 |

## 34. FINANCIAL RISK MANAGEMENT

### 34.1 Financial risk factors

The Company's financial liabilities comprise long term financing, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company's operations. The Company has trade debts, short term loans and advances, other receivables and short term bank deposits that arrive directly from its operations. 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 program focuses on the unpredictability of financial markets and seeks 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 has no significant transactions in foreign currency therefore, it is not exposed to currency risk.

**ii) Other price risk**

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

| | | Change in Commodity Price | Effects on Profit Before Tax |
|---|---|---|---|
| Raw material consumed | **2013** | +10% | (238,932,999) |
| | | -10% | 238,932,999 |
| | 2012 | +10% | (240,700,237) |
| | | -10% | 240,700,237 |

**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 has no significant interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **Fixed rate instruments** | | |
| **Financial liabilities** | | |
| Long term financing | **-** | 35,269,000 |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances - deposit accounts | **46,746,577** | 82,390,679 |
| **Financial liabilities** | | |
| Long term financing | **17,634,500** | 120,803,500 |
| Liabilities against assets subject to finance lease | **-** | 2,432,755 |
| Short term borrowings | **412,762,986** | 13,379,870 |

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

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

| | | Changes in Interest Rate | Effects on Profit Before Tax |
|---|---|---|---|
| Bank balances - deposit accounts | | | |
| | **2013** | **+1.00** | **(467,466)** |
| | | **-1.00** | **467,466** |
| | 2012 | +1.00 | (823,907) |
| | | -1.00 | 823,907 |
| Long term financing | | | |
| | **2013** | **+1.50** | **(264,518)** |
| | | **-1.50** | **264,518** |
| | 2012 | +1.50 | (1,812,053) |
| | | -1.50 | 1,812,053 |
| Liabilities against assets subject to finance lease | | | |
| | **2013** | **+1.50** | **-** |
| | | **-1.50** | **-** |
| | 2012 | +1.50 | (36,491) |
| | | -1.50 | 36,491 |
| Short term borrowings | | | |
| | **2013** | **+1.50** | **(6,191,445)** |
| | | **-1.50** | **6,191,445** |
| | 2012 | +1.50 | (200,698) |
| | | -1.50 | 200,698 |

### b) Credit risk

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

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Trade debts | **14,510,466** | 12,098,646 |
| Other receivables | **-** | 588,230 |
| Bank balances | **58,340,305** | 83,049,695 |
| | **72,850,771** | 95,736,571 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

| Banks | Rating | | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|---|
| | Short Term | Long Term | Agency | | |
| | A1 | A | JCR - VIS | **-** | - |
| | A-1 | A | JCR - VIS | **106,875** | 99,823 |
| | P1 | A1 | Moody's | **-** | 14,009 |
| | A1+ | AA | PACRA | **43,910,180** | 74,777,780 |
| | A-1+ | AA | PACRA | **5,634,473** | 5,162,364 |
| | A1+ | AA- | PACRA | **34,462** | 34,532 |
| | A1+ | AA+ | PACRA | **6,361,140** | 2,682,426 |
| | A-1+ | AAA | JCR - VIS | **612,730** | 90,311 |
| | A1+ | AA+ | PACRA | **6,247** | 6,317 |
| | A-1+ | AA+ | JCR - VIS | **1,674,198** | 182,133 |
| | | | | **58,340,305** | 83,049,695 |

**Trade debts**

Credit risk related to trade receivables is managed by established policies, procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

| The age of trade receivables at balance sheet date was: | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Not past due | **-** | - |
| Past due 0 - 180 days | **14,227,845** | 12,098,646 |
| Past due 180 - 365 days | **120,124** | - |
| 1 - 2 years | **162,497** | - |
| | **14,510,466** | 12,098,646 |

At 30 June 2013 the Company had 4 customers (2012: 10 customers) that owed the Company more than Rs. 1 million each and accounted for approximately 90.5% (2012: 96%) of all receivables owing.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, 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 financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management believes the liquidity risk to be low.

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

| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| **30 June 2013** | | | Rupees | | |
| Long term financing | 17,634,500 | - | - | - | - |
| Trade and other payables | 90,227,264 | 90,227,264 | 90,227,264 | - | - |
| Accrued markup on financing | 16,275,744 | 16,275,744 | 16,275,744 | - | - |
| Post employment benefits - Gratuity | 20,529,425 | 20,529,425 | - | 20,529,425 | - |
| Short term borrowings | 412,762,986 | 412,762,986 | 412,762,986 | - | - |
| | 557,429,919 | 539,795,418 | 519,265,993 | 20,529,425 | - |

| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| **30 June 2012** | | | Rupees | | |
| Long term financing | 156,072,500 | 156,072,500 | 35,888,500 | 120,184,000 | - |
| Liabilities against assets subject to finance lease | 2,432,755 | 2,432,755 | 2,432,755 | - | - |
| Trade and other payables | 88,301,866 | 88,301,866 | 88,301,866 | - | - |
| Accrued markup on financing | 8,938,104 | 8,938,104 | 8,938,104 | - | - |
| Post employment benefits - Gratuity | 15,288,592 | 15,288,592 | - | 15,288,592 | - |
| Short term borrowings | 13,379,870 | 13,379,870 | 13,379,870 | - | - |
| | 284,413,687 | 284,413,687 | 148,941,095 | 135,472,592 | - |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

### 34.2 Fair values of financial assets and liabilities

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

### 34.3 Financial instruments by categories

| | Cash and cash equivalents | Loans and advances | Total |
|---|---|---|---|
| **As at 30 June 2013** | | Rupees | |
| **Assets as per balance sheet** | | | |
| Long term deposits | - | 3,667,560 | 3,667,560 |
| Trade debts | - | 14,510,466 | 14,510,466 |
| Deposits | - | 1,011,565 | 1,011,565 |
| Cash and bank balances | 59,197,161 | - | 59,197,161 |
| | 59,197,161 | 19,199,591 | 78,396,752 |

| Liabilities as per balance sheet | Financial liabilities at amortized cost Rupees |
|---|---|
| Long term financing | **17,634,500** |
| Trade and other payables | **90,227,264** |
| Accrued mark-up on financing | **16,275,744** |
| Post employment benefits- Gratuity | **20,529,425** |
| Short term borrowings | **412,762,986** |
| | **557,429,919** |

| | Cash and cash equivalents | Loans and advances | Total |
|---|---|---|---|
| **As at 30 June 2012** | ---------------------- | Rupees | ---------------------- |
| **Assets as per balance sheet** | | | |
| Long term deposits | - | 3,669,060 | 3,669,060 |
| Trade debts | - | 12,098,646 | 12,098,646 |
| Advances | - | 2,395,490 | 2,395,490 |
| Trade deposits | - | 1,011,565 | 1,011,565 |
| Cash and bank balances | 83,639,761 | - | 83,639,761 |
| | 83,639,761 | 19,174,761 | 102,814,522 |

| Liabilities as per balance sheet | Financial liabilities at amortized cost Rupees |
|---|---|
| Long term financing | 156,072,500 |
| Liabilities against assets subject to finance lease | 2,432,755 |
| Trade and other payables | 88,301,866 |
| Accrued mark-up on financing | 8,938,104 |
| Post employment benefits- Gratuity | 15,288,592 |
| Short term borrowings | 13,379,870 |
| | 284,413,687 |

### 34.4 Capital risk management

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

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represents long-term financing (including current portion), liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 7, 12 and 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

| The gearing ratio as at year ended 30 June 2013 and 30 June 2012 is as follows: | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Debt | 7, 12,13 | **430,397,486** | 171,885,125 |
| Equity | | **871,647,771** | 711,626,309 |
| Total capital employed | | **1,302,045,257** | 883,511,434 |
| Gearing ratio | | **33%** | 19% |

| | | | 2013 | 2012 |
|---|---|---|---|---|
| **35.** | **PLANT CAPACITY AND ACTUAL PRODUCTION** | | | |
| | Spindles installed/ worked | Nos. | **38,448** | 38,448 |
| | Production at normal capacity in 20/S count based on 3 shifts per day | Kgs | **14,102,609** | 14,102,609 |
| | Actual production converted to 20/S count based on 3 shifts per day | Kgs | **10,117,639** | 11,951,901 |

**35.1 Reason for Low Production**

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

**36. NUMBER OF EMPLOYEES**

| | 2013 | 2012 |
|---|---|---|
| At year end | **969** | 980 |
| Average during the year | **955** | 885 |

**37. DATE OF AUTHORIZATION**

These financial statements have been authorized for issue by Board of Directors of the Company on 10 October 2013.

**38. GENERAL**

Figures in these financial statements have been rounded off to the nearest rupee.

**(Chief Executive Officer)** **(Director)**

# PATTERN OF SHAREHOLDING

1. Incorporation Number **0021882**

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

3. Pattern of holding of the shares held by the shareholders as at **30 June 2013**

| 4. No. of Shareholders | From | ------Shareholding------ To | Total Shares Held |
|---|---|---|---|
| 24 | 1 | 100 | 188 |
| 37 | 101 | 500 | 17,786 |
| 8 | 501 | 1,000 | 6,841 |
| 13 | 1,001 | 5,000 | 33,907 |
| 5 | 5,001 | 10,000 | 39,960 |
| 1 | 15,001 | 20,000 | 19,419 |
| 1 | 25,001 | 30,000 | 29,100 |
| 1 | 30,001 | 35,000 | 35,000 |
| 2 | 50,001 | 55,000 | 105,200 |
| 1 | 65,001 | 70,000 | 66,000 |
| 1 | 70,001 | 75,000 | 73,006 |
| 1 | 100,001 | 105,000 | 100,500 |
| 1 | 140,001 | 145,000 | 143,846 |
| 1 | 150,001 | 155,000 | 153,968 |
| 1 | 165,001 | 170,000 | 166,452 |
| 1 | 195,001 | 200,000 | 200,000 |
| 1 | 275,001 | 280,000 | 276,839 |
| 3 | 285,001 | 290,000 | 863,073 |
| 1 | 345,001 | 350,000 | 346,000 |
| 1 | 440,001 | 445,000 | 444,620 |
| 1 | 495,001 | 500,000 | 499,691 |
| 1 | 735,001 | 740,000 | 738,350 |
| 1 | 765,001 | 770,000 | 765,481 |
| 1 | 795,001 | 800,000 | 798,800 |
| 1 | 815,001 | 820,000 | 820,000 |
| 1 | 840,001 | 845,000 | 843,481 |
| 1 | 1,140,001 | 1,145,000 | 1,140,515 |
| 1 | 1,240,001 | 1,245,000 | 1,240,546 |
| 1 | 1,250,001 | 1,255,000 | 1,254,021 |
| 1 | 1,390,001 | 1,395,000 | 1,391,975 |
| 1 | 1,555,001 | 1,560,000 | 1,558,998 |
| 1 | 2,155,001 | 2,160,000 | 2,158,952 |
| 1 | 2,265,001 | 2,270,000 | 2,269,560 |
| 1 | 17,395,001 | 17,400,000 | 17,397,925 |
| 119 | | | 36,000,000 |

| 5. Categories of shareholders | Shares held | Percentage |
|---|---|---|
| 5.1 Directors, Chief Executive Officer and their spouse and minor children | 9,658,152 | 26.8282% |
| 5.2 Banks Development Financial Institutions, Non Banking Financial Institutions. | 119 | 0.0003% |
| 5.3 Share holders holding 10% or more | 18,538,440 | 51.4957% |
| 5.4 General Public | | |
| a. Local | 26,321,624 | 73.1156% |
| b. Foreign | Nil | Nil |
| 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% |

## CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G.
## AS AT 30 JUNE 2013

| | Name | Number of Shares Held | Percentage |
|---|---|---|---|
| **Associated Companies, Undertakings and Related Parties:** | | - | - |
| **Mutual Funds (Name Wise Detail):** | | - | - |
| **Directors and their Spouse and Minor Children (Name Wise Detail):** | | | |
| 1 | CH. MUHAMMAD KHURSHID | 2,924,433 | 8.1234% |
| 2 | CH. RAHMAN BAKHSH | 82,164 | 0.2282% |
| 3 | MR. AZHAR KHURSHID CHAUDHRY | 200,000 | 0.5556% |
| 4 | MS. KIRAN ARSHAD CHAUDHRY | 3,089,560 | 8.5821% |
| 5 | MR. MUHAMMAD ALI CHAUDHRY | 843,481 | 2.3430% |
| 6 | MRS. SALMA AZIZ | 1,668,814 | 4.6356% |
| 7 | MR. KAMRAN ILYAS | 50,900 | 0.1414% |
| 8 | MRS. RAZIA SULTANA BEGUM | 798,800 | 2.2189% |
| **Executives:** | | - | - |
| **Public Sector Companies & Corporations:** | | - | - |
| **Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** | | 19,538 | 0.0543% |
| **Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)** | | | |
| 1 | MR. MUHAMMAD ARSHAD SAEED | 18,538,440 | 51.4957% |
| 2 | MS. KIRAN ARSHAD CHAUDHRY | 3,089,560 | 8.5821% |
| 3 | CH. MUHAMMAD KHURSHID | 2,924,433 | 8.1234% |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouse and minor children shall also be disclosed:**

| Sr. No. | Name | Transferred | Gifted |
|---|---|---|---|
| 1 | CH. MUHAMMAD KHURSHID | - | 623,198 |
| 2 | CH. RAHMAN BAKHSH | 2,344,816 | -do- |
| 3 | MR. AZHAR KHURSHID CHAUDHRY | 551,998 | -do- |
| 4 | MR. KAMRAN ILYAS | 4,127,565 | -do- |
| 5 | MRS. RAZIA SULTANA BEGUM | 141,200 | -do- |

# FORM OF PROXY

Folio No.______________________

No. of Shares Held______________

The Company Secretary,
Resham Textile Industries Limited,
314-Upper Mall,
Lahore.

I/We __________________________________________________________

of ____________________________________________________ (full address)

Being a member of RESHAM TEXTILE INDUSTRIES LIMITED hereby appoint

__________________________________________________________
(Name)

of ____________________________________________________ (full address)

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 24th Annual General Meeting of Share Holders of the Company to be held on Thursday 31 October 2013 at 11.00 a.m. and at any adjournment thereof.

Signed this____________________________ day of ____________________ 2013.

__________________________________________________
(Signature should agree with the specimen signature registered with the Company)

In the presence of witness :

Revenue Stamp

Name________________________________

Signature______________________________

Address ______________________________________________________

**IMPORTANT :**

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Head Office at least 48 hours before the time of holding the meeting.

2. The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its Common Seal should be affixed to the instruments.