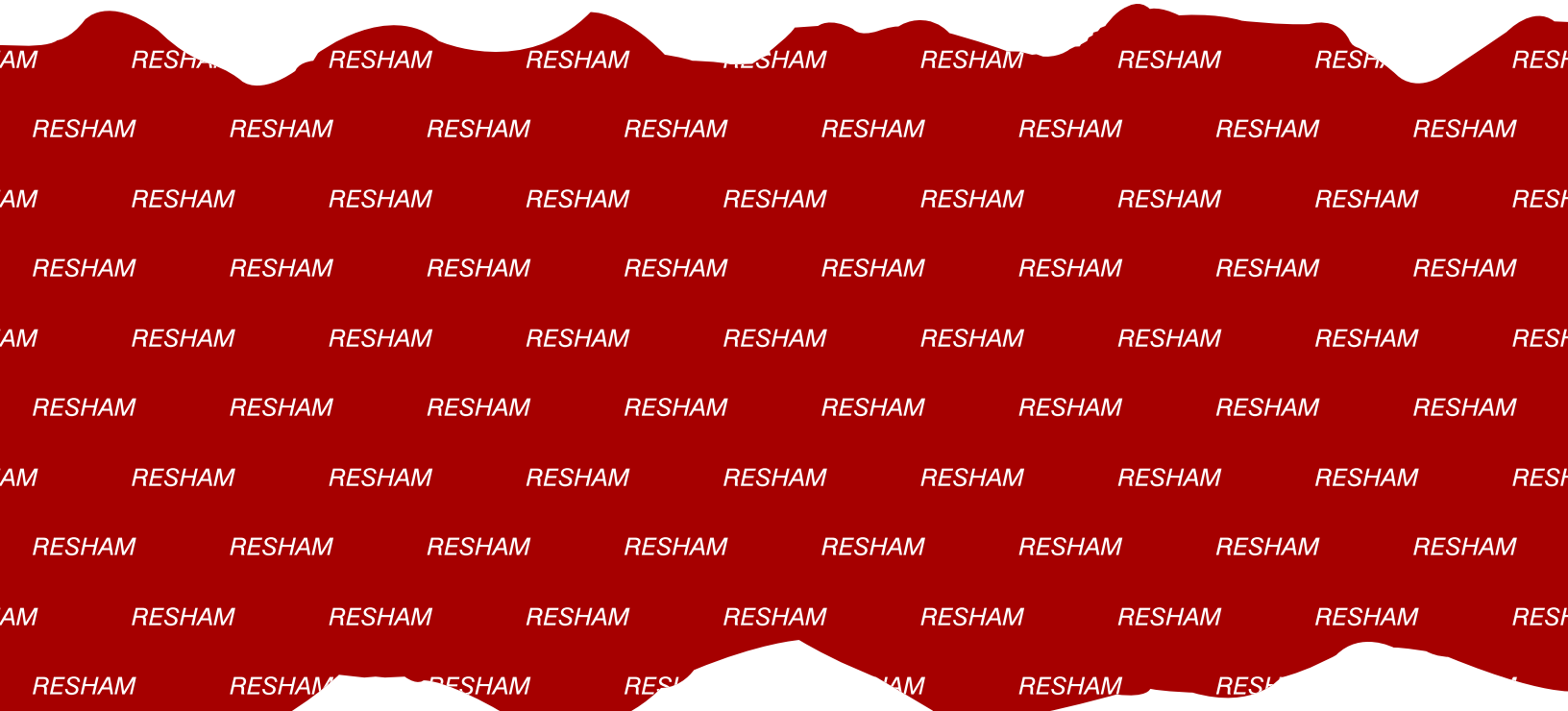
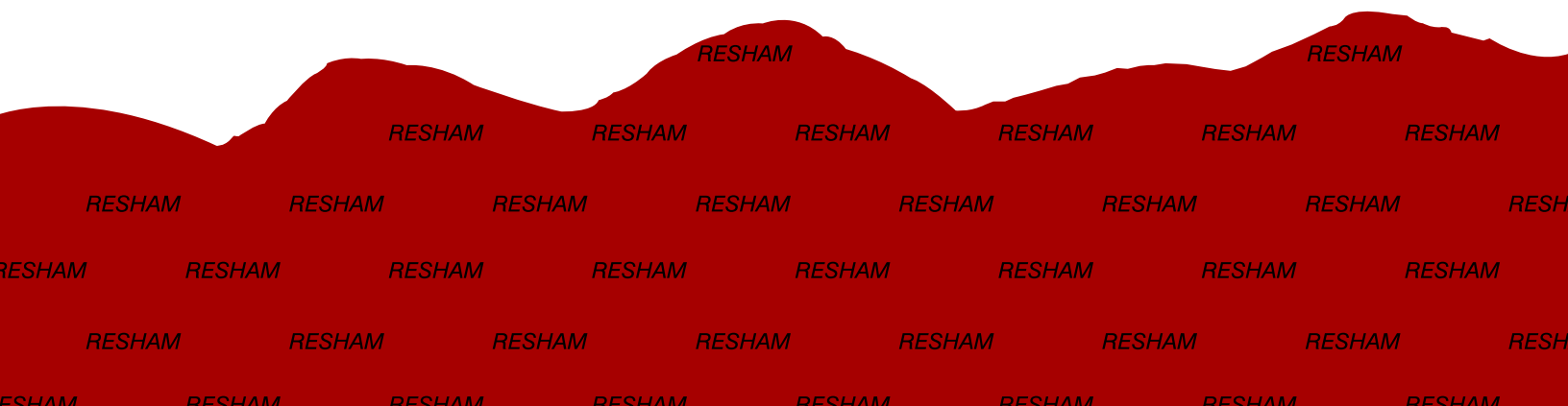




RESHAM TEXTILE INDUSTRIES LIMITED



ANNUAL REPORT 2012



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER :	Ch. Muhammad Khurshid
DIRECTORS :	Ch. Rahman Bakhsh Mrs. Salma Aziz Mr. Kamran Ilyas Mr. Azhar Khurshid Chaudhry Ms. Kiran A. Chaudhry Mr. Muhammad Ali Chaudhry
CHIEF FINANCIAL OFFICER :	Mr. Abid Murtaza
COMPANY SECRETARY :	Mr. Abid Murtaza
AUDITORS :	M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Lahore.
AUDIT COMMITTEE :	Mr. Kamran Ilyas Chairman Mr. Azhar Khurshid Chaudhry Member Mrs. Salma Aziz Member
BANKERS :	National Bank of Pakistan Faysal Bank Limited Al Baraka Bank (Pakistan) Ltd. Orix Leasing Pakistan Limited Bank Alfalah Limited First National Bank Modaraba The Bank of Punjab
SHARE REGISTRAR :	Corplink (Pvt.) Ltd.
LEGAL ADVISORS :	Mr. Shaukat Haroon (Advocate) Barrister Salman Rahim (Advocate High Court)
REGISTERED OFFICE :	314-Upper Mall, Lahore.
MILLS :	1.5 Kilometer Habibabad, Chunian Road, Tehsil Chunian, District Kasur.

MISSION

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Wednesday 17 October 2012 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 last Meeting.
2. To receive and adopt the audited accounts of the Company for the year ended 30 June 2012 and reports of the Directors' and Auditors' thereon.
3. To appoint auditors and to fix their remuneration for the year ending 30 June 2013. The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.
4. To approve Final Cash Dividend @ 5% as recommended by the Board of Directors. This is in addition to an Interim Dividend @ 15% paid during the year.
5. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(**ABID MURTAZA**)
Company Secretary

Lahore: 25 September 2012.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 11 October 2012 to 17 October 2012 (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 any changes in address.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the audited accounts for the financial year ended June 30, 2012 along with the Auditors' Report.

Performance Review

By the grace of Allah, (s.w,t), the Company operations during the year under review remained excellent. Profit after taxation increased to Rs. 147,926,588 as compared to Rs. 65,792,050 (s.p.l.y.). The higher profit was on account of reduction in cotton prices by 33.09% as compared to the previous year which more than offset the decrease in yarn rates by 19.92%, mainly on account of recession in the global markets and its impact on demand.

Better management resulted in decrease of financial cost to 73.434 (M) from 100.721(M). Increase in production by 10.79% from 245,646 bags to 272,158 bags also helped in offsetting the effect of depressed yarn prices and enhanced profitability. The cost of energy increased by 19.92% i.e. from Rs. 129.184 (M) to Rs. 154.919 (M) and this trend is affecting most industries seriously. The net cash generated from operating activities increased by 386% i.e. from Rs. 93.478 (M) (s.p.l.y.) to Rs. 453.957 (M) in the year under review.

On the whole, the management is very satisfied with the performance of the Company during the year under review. Also it is worth mentioning that for the first time the Company paid interim and final cash dividend @ 20% which is a very good news for the shareholders.

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

	2012	2011
	Rupees in Million	
Sales	3,245.032	3,704.951
Cost of sales	2,867.911	3,409.780
Gross profit	377.121	295.171
Administrative expenses	32.664	21.663
Distribution cost	26.236	23.923
	58.900	45.586
Operating profit	318.221	249.585
Other operating expenses	18.841	12.855
	299.380	236.730
Other operating income	6.585	6.325
	305.965	243.055
Finance cost	73.434	100.721
Profit before taxation	232.531	142.334
Taxation	84.604	76.542
Profit for the period	147.927	65.792
Earning per share		
Basic & diluted (Rupees)	4.11	1.83
Debt Equity	14:86	23:77
Current Ratio	1.58	1.33

Changes in Accounting Policies

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

Future Prospects

Although the world economy is in a state of turmoil and there is absence of consumer confidence in the major economies of the 1st world, the management, encouraged by achievements in the year under review, is planning to increase production by 38% by investing approximately Rs. 200 million in an ambitious BMR program. With increase in production and further increase in product quality as a result of BMR, the Company sales and profitability is likely to further improve in the next year, Insha Allah.

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.

The Management has also taken note of the hardship being faced due to floods and rains and the affectees are being provided help in terms of food and medicines through different NGOs of repute after ascertaining their credentials. This effort is in addition to the efforts through APTMA and other organizations. We also hope and plan that these efforts will be increased in future years as the financial health of the Company improves.

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, seven (7) meetings of the Board of Directors were held and attended by all the Directors.

-
- Four (4) meetings of Audit Committee were held during the year which were attended by all members of the Committee.
 - 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.

Training Programs for Directors

The Company is making arrangements for its Directors to obtain certifications under directors' training programs in order to comply with requirements of Code of Corporate Governance. Chief Executive Officer and two Directors are already exempt from this requirement under the Code.

Pattern of Shareholding

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

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Al Baraka Islamic Bank, Bank Alfalah Limited, Faysal Bank Limited, First National Bank Modaraba, Orix Leasing Pakistan Limited, The Bank of Punjab 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: 25 September 2012.

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

Annual Report

Financial Summary

	2012	2011	2010	2009	2008	2007
BALANCE SHEET						
(Rupees in thousand)						
Paid up Share Capital	360,000	360,000	360,000	360,000	360,000	300,000
Unappropriated Profit & (Loss)	206,719	154,507	110,821	(69,104)	(61,475)	(34,962)
Total Equity	566,719	514,507	470,821	290,896	298,525	265,038
Surplus on Revaluation of Fixed Assets	144,907	156,914	173,150	89,422	96,544	117,693
Long Term Liabilities	120,184	166,327	195,436	219,139	243,794	145,520
Liabilities against assets subject to finance lease	-	30,325	72,986	136,744	164,481	157,132
Deferred Liabilities	233,836	210,580	163,777	23,716	26,662	46,331
Long Term Advances	269	143	79	53	65	46
Current Liabilities	275,740	487,665	207,819	420,836	339,082	308,427
	1,341,655	1,566,461	1,284,068	1,180,806	1,169,153	1,040,187
Represented by:						
Fixed Assets	893,579	925,417	898,508	821,228	882,840	768,566
Capital work in progress	8,431	-	8,631	-	-	1,340
Other Assets	3,669	3,668	3,673	3,682	3,682	7,668
Current Assets	435,976	637,376	373,256	355,896	282,631	262,613
	1,341,655	1,566,461	1,284,068	1,180,806	1,169,153	1,040,187
PROFIT AND LOSS						
(Rupees in thousand)						
Sales	3,245,032	3,704,951	2,232,455	1,542,141	1,302,115	1,198,893
Cost of Sales	2,867,911	3,409,780	1,811,714	1,419,120	1,261,697	1,152,020
Gross Profit	377,121	295,171	420,741	123,021	40,418	46,873
Operating Profit	318,221	249,585	385,690	99,728	19,039	31,558
Profit / (Loss) Before Taxation	232,531	142,334	277,176	(13,737)	(54,187)	(31,191)
Profit / (Loss) After Taxation	147,927	65,792	173,768	(15,047)	(34,702)	(39,675)
EPS	4.11	1.83	4.83	(0.42)	(1.15)	(1.54)
Dividend % age	20	15	10.00	-	-	-
PERCENTAGE TO SALES						
Gross Profit % age	11.62	7.97	18.85	7.98	3.10	3.91
Profit Before Taxation % age	7.17	3.84	12.42	(0.89)	(4.17)	(2.60)
Profit After Taxation % age	4.56	1.78	7.78	(0.98)	(2.67)	(3.31)
Admin & Selling Expenses % age	1.82	1.23	1.57	1.51	1.33	1.28



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 2012

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 Ch. Rahman Bakhsh Mr. Muhammad Ali Chaudhry
Non-Executive Directors	Mrs. Salma Aziz Mr. Kamran Ilyas Mr. Azhar Khurshid Chaudhry 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 NBFIs 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. The Board has made arrangements for its Directors to obtain certifications under directors' training programs in order to comply with requirements of the Code. Three out of seven current Directors of the Company are exempt from this requirement.

11. The Board of 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 subsequent to the year end in its meeting held on 25 September 2012 in order to comply with the Code.
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

LAHORE: 25 September 2012.

CH. MUHAMMAD KHURSHID
Chief Executive Officer

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 2012 prepared by the Board of Directors of **Resham Textile Industries Limited (the Company)** to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) 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, Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) 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 procedure 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 2012.

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS

Name of Audit Engagement Partner: Farooq Hameed

LAHORE: 25 September 2012.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Resham Textile Industries Limited (the Company)** as at **30 June 2012** 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 conducted 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 2012** 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: 25 September 2012.

BALANCE SHEET AS AT

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 36,000,000 (2011: 36,000,000) ordinary shares of Rupees 10 each (2011: Rs. 10/-)		360,000,000	360,000,000
Issued, subscribed and paid up share capital	5	360,000,000	360,000,000
Unappropriated profit		206,719,139	154,506,563
Total equity		566,719,139	514,506,563
Surplus on revaluation of property, plant & equipment	6	144,907,169	156,914,450
Non-current liabilities			
Long term financing	7	120,184,000	166,326,500
Liabilities against assets subject to finance lease	8	-	30,325,460
Long term deposits	9	269,441	142,716
Deferred liabilities	10	233,835,585	210,580,543
		354,289,026	407,375,219
Current liabilities			
Trade and other payables	11	151,774,460	140,765,206
Accrued mark-up on financing	12	8,938,104	21,817,866
Provision for taxation		63,326,412	37,049,510
Short term borrowings	13	13,379,870	222,571,187
Current portion of non-current liabilities	14	38,321,255	65,461,424
		275,740,101	487,665,193
Total liabilities		630,029,127	895,040,412
TOTAL EQUITY AND LIABILITIES		1,341,655,435	1,566,461,425
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 39 form an integral part of these financial statements.

(Chief Executive Officer)

30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	16	902,010,474	925,417,226
Long term deposits		3,669,060	3,667,560
		905,679,534	929,084,786
Current assets			
Stores and spare parts	17	28,035,249	33,178,442
Stock in trade	18	242,507,425	358,597,423
Trade debts	19	12,098,646	84,639,352
Advances	20	14,449,684	4,805,976
Trade deposits and short term prepayments	21	2,725,778	2,350,620
Other receivables		588,230	-
Advance income tax - net		40,979,074	40,201,309
Tax refunds due from the Government	22	10,952,054	14,971,001
Cash and bank balances	23	83,639,761	98,632,516
		435,975,901	637,376,639
TOTAL ASSETS		<u>1,341,655,435</u>	<u>1,566,461,425</u>

(Director)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 Rupees	2011 Rupees
Sales	24	3,245,032,903	3,704,951,003
Cost of sales	25	2,867,911,491	3,409,779,924
Gross profit		377,121,412	295,171,079
Operating expenses:			
Distribution cost	26	26,236,138	23,922,849
Administrative expenses	27	32,664,045	21,663,625
		58,900,183	45,586,474
Operating profit		318,221,229	249,584,605
Other operating expenses	28	18,840,755	12,855,166
		299,380,474	236,729,439
Other operating income	29	6,584,977	6,324,877
		305,965,451	243,054,316
Finance cost	30	73,434,392	100,720,719
Profit before taxation		232,531,059	142,333,597
Taxation	31	84,604,471	76,541,547
Profit after taxation		147,926,588	65,792,050
Earnings per share - basic and diluted	32	4.11	1.83

The annexed notes from 1 to 39 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
Profit after taxation for the year	147,926,588	65,792,050
Other comprehensive income	-	-
Total comprehensive income for the year	147,926,588	65,792,050

The annexed notes from 1 to 39 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		232,531,059	142,333,597
Adjustment for:			
Depreciation	16.2	70,074,811	73,053,166
Less on disposal of property, plant and equipment	28	1,606,981	(58,310)
Provision for gratuity	10.4	9,641,813	7,044,991
Property, plant and equipment written off		-	624,639
Exchange gain		(620,887)	(37,200)
Sales tax refundable written off		-	1,681,636
Provision against Workers' Profit Participation Fund		12,488,242	7,644,124
Provision against Workers' Welfare Fund		4,745,532	2,904,767
Finance cost		73,434,392	100,720,719
Profit before working capital changes		<u>171,370,884</u>	<u>193,578,532</u>
Effect on cash flow due to working capital changes (Increase) / decrease in current assets		<u>403,901,943</u>	<u>335,912,129</u>
Stores and spare parts		5,143,192	(11,397,565)
Stock in trade		116,089,998	(108,895,740)
Trade debts		73,161,594	(39,230,659)
Advances		(9,643,707)	1,733,720
Trade deposits and short term prepayments		(375,158)	87,651
Tax refunds due from the Government		4,018,947	(3,712,647)
Other receivables		(588,230)	120,660
Increase / (Decrease) in current liabilities		<u>(6,224,519)</u>	<u>47,639,244</u>
Trade and other payables		181,582,117	(113,655,336)
Cash generated from operations		<u>585,484,060</u>	<u>222,256,793</u>
Finance cost paid		(86,314,157)	(93,427,557)
Income tax paid		(37,827,275)	(33,276,401)
Gratuity paid		(7,386,123)	(2,074,812)
Net cash generated from operating activities		<u>453,956,505</u>	<u>93,478,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred on property, plant and equipment		(49,384,413)	(93,238,776)
Proceeds from sale of property, plant and equipment		1,109,373	1,342,000
(Increase) / Decrease in long term deposits		(1,500)	5,000
Net cash used in investing activities		<u>(48,276,540)</u>	<u>(91,891,776)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing - net		(32,388,500)	(25,609,500)
Repayment of liabilities under finance lease - net		(71,219,629)	(43,053,720)
(Decrease) / Increase in short term borrowings - net		(209,191,316)	174,099,147
Dividend paid		(108,000,000)	(35,891,104)
Increase in long term deposits		126,725	63,278
Net cash generated from / (used in) financing activities		<u>(420,672,720)</u>	<u>69,608,101</u>
Net (decrease) / increase in cash and cash equivalents		<u>(14,992,755)</u>	<u>71,194,348</u>
Cash and cash equivalents at the beginning of the year		<u>98,632,516</u>	<u>27,438,168</u>
Cash and cash equivalents at the end of the year	23	<u>83,639,761</u>	<u>98,632,516</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	Un-appropriated profit	Total equity
	----- Rupees -----		
Balance as at 01 July 2010	360,000,000	110,820,632	470,820,632
Final dividend paid for the year 2010 at the rate of Rs. 1 per share	-	(36,000,000)	(36,000,000)
Total comprehensive income for the year	-	65,792,050	65,792,050
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	13,893,881	13,893,881
Balance as at 30 June 2011	360,000,000	154,506,563	514,506,563
Final dividend paid for the year 2011 at the rate of Rs. 1.50 per share	-	(54,000,000)	(54,000,000)
Interim dividend for the year 2012 at the rate of Rs. 1.50 per share	-	(54,000,000)	(54,000,000)
Total comprehensive Income for the year	-	147,926,588	147,926,588
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	12,285,988	12,285,988
Balance as at 30 June 2012	360,000,000	206,719,139	566,719,139

The annexed notes from 1 to 39 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01-January-2013
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	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, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

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	01-January-2013
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 2011 -2012

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IFRS 7 - Financial Instruments: Disclosures (Amendment)
- IAS 24 - Related Party Disclosures (Revised)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 7 - Financial Instruments: Disclosures - Clarification of disclosures
- IAS 1 - Presentation of Financial Statements - Clarification of statement of changes in equity
- IAS 34 - Interim Financial Reporting - Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any significant effect 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, certain items of property, plant and equipment 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 4.12)

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 the 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 as in Note 8. 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 are 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

Actuarial gains / 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 Property, plant and equipment

4.12.1 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 16.1.

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.

4.12.2 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 16.1. 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 Financial instruments

Financial instruments comprise long term deposits, trade debts, advances, 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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.

4.22 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	2012 Rupees	2011 Rupees				
<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">2012</td> <td style="text-align: center;">2011</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>(Number of shares)</u></td> </tr> </table>	2012	2011	<u>(Number of shares)</u>			
2012	2011					
<u>(Number of shares)</u>						
<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>36,000,000</u></td> <td style="text-align: center;"><u>36,000,000</u></td> </tr> </table>	<u>36,000,000</u>	<u>36,000,000</u>	Ordinary shares of Rs.10 each fully paid in cash	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>360,000,000</u></td> <td style="text-align: center;"><u>360,000,000</u></td> </tr> </table>	<u>360,000,000</u>	<u>360,000,000</u>
<u>36,000,000</u>	<u>36,000,000</u>					
<u>360,000,000</u>	<u>360,000,000</u>					

6. SURPLUS ON REVALUATION OF FIXED ASSETS	2012 Rupees	2011 Rupees
Surplus on revaluation of fixed assets as at 01 July	226,254,402	247,419,902
Surplus relating to incremental depreciation charge on related assets - transferred to unappropriated profit	<u>(18,721,077)</u>	<u>(21,165,500)</u>
Surplus on revaluation of fixed assets as at 30 June	207,533,325	226,254,402
Less: Related deferred tax liability on:		
- Balance as at 01 July	(69,339,952)	(74,270,142)
- Decrease / (increase) due to change in proportionate local sales	278,707	(2,341,429)
- Incremental depreciation charged during the year	6,435,089	7,271,619
	<u>(62,626,156)</u>	<u>(69,339,952)</u>
	<u>144,907,169</u>	<u>156,914,450</u>

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	2012 Rupees	2011 Rupees
From banking companies and other financial institution - Secured			
National Bank of Pakistan	7.1	112,803,500	123,057,500
Orix Investment Bank Pakistan Limited	7.2	8,000,000	12,500,000
Faysal Bank Limited	7.3	<u>35,269,000</u>	<u>52,903,500</u>
		156,072,500	188,461,000
Less: Current portion	14	<u>35,888,500</u>	<u>22,134,500</u>
		<u>120,184,000</u>	<u>166,326,500</u>

- 7.1** This loan was obtained to undertake Balancing, Modernization and Replacement (BMR) and expansion of the production facilities. This is repayable in nine years, in quarterly installments which started from 01 October 2009. The rate of mark-up is 3 months KIBOR plus 1.5% (2011: 3 months KIBOR plus 1.5%) per annum with no floor and no cap. This loan is secured against first exclusive charge of Rs. 295 million on fixed assets of the Company including land, building, plant and machinery and personal guarantees of all directors of the Company.
- 7.2** This facility, obtained for expansion of production facilities, is repayable in six years, including two years grace period, in 16 quarterly installments which started from 20 September 2009. The rate of mark-up is 6 month KIBOR plus 3% (2011: 6 month KIBOR plus 3%) per annum with no floor and no cap. The loan is secured against first pari passu charge over all the present and future fixed assets (excluding land and building) amounting to Rs. 40 million inclusive of 25% margin, which is to be maintained at all times. The loan is further secured by demand promissory note amounting to Rs. 49.592 million duly signed by directors of the Company.
- 7.3** 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% (2011: 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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future rentals and periods during which they fall due are as under:

	Note	2012 Rupees	2011 Rupees
Not later than one year		2,612,016	51,760,295
Later than one year and not later than five years		-	33,201,158
		<u>2,612,016</u>	<u>84,961,453</u>
Less: Future financial charges		(179,261)	(11,309,069)
Present value of minimum lease payments	8.1	2,432,755	73,652,384
Less: Current portion taken as current liability	14	(2,432,755)	(43,326,924)
		<u>-</u>	<u>30,325,460</u>

8.1 Break up of present value of minimum lease payments

Within one year	2,432,755	43,326,924
Within two to five years	-	30,325,460
	<u>2,432,755</u>	<u>73,652,384</u>

8.2 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 6 month KIBOR plus 2.50% to 4.00% (2011: 6 month KIBOR plus 2.50% to 4.00%) per annum. The lease liability and interest charge are repriced every six months and the balance rentals are payable in quarterly installments. In case of default of any payment, an additional charge at the rate of 1% to 2% per annum is payable. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

8.3 The Company has an option to purchase the assets at the end of lease term. There are no financial restrictions in the lease agreement.

9. LONG TERM DEPOSITS

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

10. DEFERRED LIABILITIES

	Note	2012 Rupees	2011 Rupees
Deferred taxation	10.1	218,546,993	197,547,641
Gratuity - unfunded	10.2	15,288,592	13,032,902
		<u>233,835,585</u>	<u>210,580,543</u>

10.1 Deferred taxation

Taxable temporary differences

Surplus on revaluation of fixed assets	62,626,155	69,339,953
Accelerated tax depreciation	157,323,315	108,873,820
Assets subject to finance lease	3,852,747	27,286,013
	<u>223,802,217</u>	<u>205,499,786</u>

Deductible temporary differences

Unapproved gratuity	(5,255,224)	(4,477,584)
Unused tax losses	-	(3,474,561)
	<u>(5,255,224)</u>	<u>(7,952,145)</u>
	<u>218,546,993</u>	<u>197,547,641</u>

	Note	2012 Rupees	2011 Rupees			
10.2 Gratuity - unfunded defined benefit scheme						
The amount recognized in balance sheet is as follows:						
Present value of defined benefit obligation		19,396,479	14,465,338			
Unrecognized actuarial losses		(4,107,887)	(1,432,436)			
Liability recognized in the balance sheet		<u>15,288,592</u>	<u>13,032,902</u>			
10.3 Movement in net liability recognized in the balance sheet						
Liability at the beginning of the year		13,032,902	8,062,722			
Charge for the year		<u>9,641,813</u>	<u>7,044,991</u>			
		22,674,715	15,107,713			
Paid during the year		<u>(7,386,123)</u>	<u>(2,074,811)</u>			
Liability at the end of the year		<u>15,288,592</u>	<u>13,032,902</u>			
10.4 Charge for the year						
Current service cost		7,905,972	5,773,653			
Interest cost		1,735,841	1,153,553			
Actuarial losses recognized		-	117,785			
Charge for the year		<u>9,641,813</u>	<u>7,044,991</u>			
10.5 The charge for the year has been allocated as follows:						
Cost of sales	25	8,498,265	5,801,441			
Distribution cost	26	249,016	543,983			
Administrative expenses	27	894,532	699,567			
		<u>9,641,813</u>	<u>7,044,991</u>			
10.6 Historical information						
		2012	2011	2010	2009	2008
Present value of defined benefit obligations at the end of the year		<u>15,288,592</u>	<u>13,032,902</u>	<u>8,062,722</u>	<u>4,010,841</u>	<u>5,303,452</u>
Experience adjustment arising on plan liabilities losses		<u>-12%</u>	<u>-11%</u>	<u>-19%</u>	<u>-9%</u>	<u>-7%</u>
11. TRADE AND OTHER PAYABLES						
	Note	2012 Rupees	2011 Rupees			
Creditors		18,726,774	16,357,205			
Morabaha finance	11.1	10,000,000	10,000,000			
Accrued liabilities		39,411,294	32,326,611			
Advances from customers	11.2	56,742,929	63,924,132			
Advance from brokers against customers		6,729,665	3,240,165			
Ijarah rental payable		1,638,334	3,055,728			
Unclaimed WPPF		783,523	783,523			
Workers' Profit Participation Fund	11.3	12,488,242	7,644,124			
Workers' Welfare Fund	11.4	4,745,532	2,904,767			
Unclaimed dividend		408,167	428,951			
Others		100,000	100,000			
		<u>151,774,460</u>	<u>140,765,206</u>			

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11.1 This facility has been obtained against sanctioned limit of Rs. 10 million (2011: 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 (2011: 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.134 million and personal guarantees of all the directors except employee directors of the Company.

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

	Note	2012 Rupees	2011 Rupees
11.3 Workers' Profit Participation Fund			
Balance at the beginning of the year		7,644,124	14,885,927
Charge for the year	28	<u>12,488,242</u>	<u>7,644,124</u>
		20,132,366	22,530,051
Less: Payments made during the year		<u>7,644,124</u>	<u>14,885,927</u>
Closing balance		<u><u>12,488,242</u></u>	<u><u>7,644,124</u></u>
11.4 Workers' Welfare Fund			
Balance at the beginning of the year		2,904,880	5,656,652
Charge for the year	28	<u>4,745,532</u>	<u>2,904,880</u>
		7,650,412	8,561,532
Less: Payments made during the year		<u>2,904,880</u>	<u>5,656,652</u>
Closing balance		<u><u>4,745,532</u></u>	<u><u>2,904,880</u></u>
12. ACCRUED MARK-UP ON FINANCING			
Long term financing		4,794,258	5,913,196
Short term borrowings and morabaha finance		4,136,184	12,651,158
Liabilities against assets subject to finance lease		<u>7,662</u>	<u>3,253,512</u>
		<u><u>8,938,104</u></u>	<u><u>21,817,866</u></u>
13. SHORT TERM BORROWINGS			
From financial institutions:			
Secured:			
Cash finance	13.1	<u>13,379,870</u>	222,571,187
		<u><u>13,379,870</u></u>	<u><u>222,571,187</u></u>

13.1 The aggregate facility of short term finances from commercial banks available at year end is Rs. 715 million (2011: Rs. 615 million). The rates of mark-up range from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.75% per annum (2011: 3 months KIBOR plus 1.5% to 3 months KIBOR plus 3.25% per annum). These facilities are secured against pledge of cotton bales (with 10% and 5% margin for local and imported cotton respectively), 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.

	Note	2012 Rupees	2011 Rupees
14. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	7	35,888,500	22,134,500
Liabilities against assets subject to finance lease	8	2,432,755	43,326,924
		<u>38,321,255</u>	<u>65,461,424</u>

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

Claim of damages lodged by a creditor amounting to Rs. 987,298 (2011: Rs. 987,298) against violation of contract has not been acknowledged by the Company. The Company has also filed a counter suit for the recovery of claims, compensation and damages amounting to Rs. 3,721,012 (2011: Rs. 3,721,012) for violation of contracts. No provision in this respect has been made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.

Commitments:

Ijarah commitments

The Company has entered into Ijarah arrangement for plant and machinery with an Islamic Bank. These arrangements have remaining terms of less than three years. 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:

	2012 Rupees	2011 Rupees
Within one year	10,607,516	10,712,298
After one year but not more than five years	2,651,879	13,374,767
	<u>13,259,395</u>	<u>24,087,065</u>

The bank guarantees aggregating to Rs. 40,943,000 (2011: Rs. 39,868,000) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rs. 1,011,565 (2011: Rs. 1,011,365) have been deposited with the respective banks.

	Note	2012 Rupees	2011 Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	16.1	893,578,782	925,417,226
Capital work-in-progress	16.5	8,431,692	-
		<u>902,010,474</u>	<u>925,417,226</u>

16.1 Operating assets

PARTICULARS	BALANCE AS AT 01 JULY 2011				RECONCILIATION				BALANCE AS AT 30 JUNE 2012			RATE (%)		
	Cost/ revalued amount	Accumulated depreciation	Net book value	Additions	DELETIONS		Adjustments	Transfers		Depreciation charge for the year	Cost / revalued amount		Accumulated depreciation	Net book value
					(Cost / revalued amount) / Accumulated Depreciation	(Cost) / Accumulated Depreciation		(Cost) / Accumulated Depreciation	Cost/ (Accumulated Depreciation)					
2012														
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	35,066,156	(1,884,970)	-	-	-	-	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	210,292	-	-	-	-	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)	-	-	-	-	1,142,399	15,515,216	5,919,130	9,596,086	20
Arms and ammunition	43,620	20,493	23,127	-	627,201	-	-	-	-	1,416	43,620	21,909	21,711	10
	827,033,791	70,072,911	756,960,880	40,952,721	(3,553,847)	-	-	-	-	53,229,175	864,432,665	122,464,593	741,968,072	
					837,493	-	-	-	-					
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 installations	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)	-	-	-	-	70,074,811	1,097,471,419	203,882,637	893,578,782	
					837,493	-	-	-	-					

PARTICULARS	2011										RATE (%)			
	BALANCE AS AT 01 JULY 2010					RECONCILIATION						BALANCE AS AT 30 JUNE 2011		
	Cost/ revalued amount	Accumulated depreciation	Net book value	Additions	DELETIONS (Cost / revalued amount) / Accumulated Depreciation	Adjustments (Cost)/ Accumulated Depreciation	Transfers		Depreciation charge for the year	Cost / revalued amount		Accumulated depreciation	Net book value	
							Cost/ (Accumulated Depreciation)	(Accumulated Depreciation)						
R U P E E S														
Owned assets														
Free hold land	30,455,100	-	30,455,100	-	-	-	-	-	-	-	-	30,455,100		
Building														
-Factory	120,308,586	-	120,308,586	11,342,530	-	289,500 (10,760)	-	-	13,021,420	-	13,032,180	118,908,436		
-Residential	30,349,849	-	30,349,849	-	-	-	-	-	1,517,495	-	1,517,495	28,832,354		
Plant and machinery	458,338,700	-	458,338,700	87,234,227	(942,485) 54,367	-	37,388,698	36,773,834	-	582,019,140	36,719,467	545,299,673		
Electric installations	27,038,850	8,781,605	18,257,245	-	(629,206) 465,572	-	-	1,245,648	-	26,409,644	9,561,681	16,847,963		
Mills equipment	6,347,142	2,506,948	3,840,194	1,212,700	(23,060) 2,865	-	-	290,649	-	7,536,782	2,794,732	4,742,050		
Office equipment	2,127,511	1,136,459	991,052	931,380	(192,600) 53,163	-	-	116,287	-	1,736,947	451,032	1,285,915		
Furniture and fixtures	1,295,368	609,297	686,071	195,850	(405,858) 99,693	-	-	62,295	-	1,085,360	571,899	513,461		
Vehicles	15,423,490	4,728,968	10,694,522	953,586	(759,780) 503,645	-	-	1,306,580	-	15,456,733	5,403,932	10,052,801		
Arms and ammunition	43,620	18,909	24,711	-	-	-	-	1,584	-	43,620	20,493	23,127		
	691,728,216	17,782,186	673,946,030	101,870,273	(1,894,865) 611,175	(2,058,531) 1,433,892	37,388,698	54,335,792	-	827,033,791	70,072,911	756,960,880		
Assets subject to finance lease														
- Plant and machinery	249,185,806	41,685,735	207,500,071	-	-	-	(37,388,698)	17,011,137	-	211,797,108	58,696,872	153,100,236		
- Electric Installations	21,241,646	4,179,302	17,062,344	-	-	-	-	1,706,234	-	21,241,646	5,885,536	15,356,110		
	270,427,452	45,865,037	224,562,415	-	-	-	(37,388,698)	18,717,371	-	233,038,754	64,582,408	168,456,346		
	962,155,668	63,647,223	898,508,445	101,870,273	(1,894,865) 611,175	(2,058,531) 1,433,892	-	73,053,163	-	1,060,072,545	134,655,319	925,417,226		

16.2 Depreciation charge for the year has been allocated as follows:

	2012	2011
	Rupees	Rupees
Cost of sales	68,743,696	71,566,419
Distribution cost	-	71,422
Administrative expenses	1,331,115	1,415,325
	70,074,811	73,053,166

Note

25
26
27

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

Particulars	Balance As at 30 June 2012		Balance As at 30 June 2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Owned Assets:				
Free hold Land	6,028,479	-	6,028,479	-
Building				6,028,479
Factory	140,334,382	89,665,140	50,669,242	77,774,293
Residential	11,001,164	5,857,820	5,143,344	4,416,200
Plant and Machinery	822,020,120	402,064,653	419,955,467	365,220,044
	979,384,145	497,587,613	481,796,532	447,410,537
				498,592,130
Assets Subject to Finance lease:				
Plant and Machinery	136,504,929	92,267,355	44,237,574	76,957,334
				59,547,595

16.4 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
Plant and Machinery						
Compressor (2 units)	1,884,970	210,292	1,674,678	67,698	Market (Negotiation)	Hanif trading company / Noon International
Vehicles						
Honda Civic	903,000	436,835	466,165	466,166	Market (Negotiation)	Ms. Kiran A. Ch.
Suzuki Alto	565,000	169,971	395,029	395,029	Market (Negotiation)	Synctecho
Honda CD - 70	66,959	8,956	58,003	58,003	Sold to employee	Mr. Muhammad Hanif
Honda CD - 70	66,959	6,529	60,430	60,431	Sold to employee	Mr. Adil Hussain
Honda CD - 70	66,959	4,910	62,049	62,046	Insurance claim	New Jubilee
	3,553,847	837,493	2,716,354	1,109,373		

	Note	2012 Rupees	2011 Rupees
16.5 Capital work in progress			
Opening		-	8,631,497
Additions		8,431,692	2,711,033
Transfers		-	(11,342,530)
Closing		<u>8,431,692</u>	<u>-</u>

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

17. STORES AND SPARE PARTS

Stores		370,642	904,377
Spares parts		24,244,798	32,274,065
Stores in transit		3,419,809	-
		<u>28,035,249</u>	<u>33,178,442</u>

18. STOCK IN TRADE

Raw material		137,412,680	267,296,912
Work in process		19,487,493	24,131,087
Finished goods		81,772,621	64,742,135
Packing material		3,641,592	2,043,954
Waste		193,039	383,335
		<u>242,507,425</u>	<u>358,597,423</u>

19. TRADE DEBTS - considered good

These represent unsecured trade debts against the local sales.

20. ADVANCES

Suppliers		12,054,194	3,533,279
Employees		2,395,490	1,272,697
		<u>14,449,684</u>	<u>4,805,976</u>

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

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Bank guarantee margin		1,011,565	1,011,365
Prepayments		1,714,213	1,339,255
		<u>2,725,778</u>	<u>2,350,620</u>

22. TAX REFUNDS DUE FROM THE GOVERNMENT

This represents sales tax refundable

23. CASH AND BANK BALANCES

Cash in hand		590,066	31,054
Cash at bank:			
- Current accounts		659,016	2,829,794
- Deposit accounts	23.1	82,390,679	95,771,668
		<u>83,049,695</u>	<u>98,601,462</u>
		<u>83,639,761</u>	<u>98,632,516</u>

23.1 It carries profit at the rate ranging from 5% to 10.75% (2011: 5% to 10.75%) per annum.

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	Note	2012 Rupees	2011 Rupees
24. SALES			
Local		3,128,933,798	3,629,981,428
Export		74,928,481	15,744,900
Waste		41,170,624	59,224,675
		<u>3,245,032,903</u>	<u>3,704,951,003</u>
25. COST OF SALES			
Opening raw material		267,296,912	202,228,322
Add: Purchases		2,277,118,139	3,072,252,405
Available for consumption		<u>2,544,415,051</u>	<u>3,274,480,727</u>
Less: Closing stock		(137,412,680)	(267,296,912)
Raw material consumed		<u>2,407,002,371</u>	<u>3,007,183,815</u>
Salaries, wages and benefits	25.1	124,698,701	120,040,449
Fuel and power		167,810,971	166,453,368
Packing material consumed		33,136,974	26,973,989
Stores and spare parts consumed		56,189,000	42,390,868
Ijarah rentals		8,866,972	8,391,951
Insurance		3,809,037	3,859,038
Repairs and maintenance		7,955,803	6,728,007
Depreciation	16.2	68,743,696	71,566,419
Others		1,894,562	1,210,856
		<u>473,105,716</u>	<u>447,614,945</u>
		<u>2,880,108,087</u>	<u>3,454,798,760</u>
Add: Opening work in process		24,131,087	11,084,974
Less: Closing work in process		(19,487,493)	(24,131,087)
		<u>4,643,594</u>	<u>(13,046,113)</u>
Cost of goods manufactured		<u>2,884,751,681</u>	<u>3,441,752,647</u>
Add: Opening finished goods and waste		65,125,470	33,152,747
Less: Closing finished goods and waste		(81,965,660)	(65,125,470)
		<u>(16,840,190)</u>	<u>(31,972,723)</u>
		<u>2,867,911,491</u>	<u>3,409,779,924</u>

25.1 This includes an amount of Rs. 8,498,265 (2011: Rs. 5,801,441) representing gratuity expense for the year.

26. DISTRIBUTION COST

Salaries and other benefits	26.1	2,572,416	2,879,876
Commission on sales		19,161,442	17,634,264
Freight and forwarding		3,652,661	2,552,595
Export development surcharge		187,417	39,137
Depreciation	16.2	-	71,422
Other expenses		662,202	745,555
		<u>26,236,138</u>	<u>23,922,849</u>

26.1 This includes an amount of Rs. 249,016 (2011: Rs. 543,983) representing gratuity expense for the year.

	Note	2012 Rupees	2011 Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration		2,905,168	4,059,236
Salaries and other benefits	27.1	8,806,114	7,668,902
Electricity, gas and water		537,175	617,984
Postage, telephone and telex		923,562	916,012
Rent, rates and taxes		1,410,617	842,188
Insurance		275,942	347,907
Advertisement		66,014	44,622
Traveling and conveyance		177,761	85,101
Auditors' remuneration	27.2	630,000	630,000
Legal and professional		355,560	355,000
Fee and subscription		1,220,560	956,904
Printing and stationery		292,909	286,520
Entertainment		687,550	639,279
Charity and donations	27.3	10,650,000	900,000
Books and periodicals		52,847	63,482
Repairs and maintenance		386,491	187,284
Vehicle running and maintenance		1,551,750	1,390,174
Depreciation	16.2	1,331,115	1,415,325
Others		402,910	257,705
		32,664,045	21,663,625

27.1 This includes an amount of Rs. 894,532 (2011: Rs. 699,567) representing gratuity expense for the year.

27.2 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

27.3 Donations

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

28. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	12,488,242	7,644,124
Workers' Welfare Fund	4,745,532	2,904,767
Sales tax refundable written off	-	1,681,636
Loss on sale of property, plant and equipment	1,606,981	-
Property, plant and equipment written off	-	624,639
	18,840,755	12,855,166

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	Note	2012 Rupees	2011 Rupees
29. OTHER OPERATING INCOME			
Income from financial assets	29.1	3,269,501	2,766,256
Income from assets other than financial assets	29.2	<u>3,315,476</u>	<u>3,558,621</u>
		<u>6,584,977</u>	<u>6,324,877</u>
29.1 Income from financial assets:			
Return on bank deposits		2,648,614	2,729,056
Exchange gain		<u>620,887</u>	<u>37,200</u>
		<u>3,269,501</u>	<u>2,766,256</u>
29.2 Income from assets other than financial assets:			
Net gain on disposal of property, plant and equipment		-	58,310
Sale of scrap and miscellaneous Income		<u>3,315,476</u>	<u>3,500,311</u>
		<u>3,315,476</u>	<u>3,558,621</u>
30. FINANCE COST			
Interest / mark-up on:			
Liabilities against assets subject to finance lease		6,271,788	12,746,475
Long term financing		22,078,694	25,235,765
Loans from directors		1,268,597	-
Short term borrowings and morabaha finance		41,615,667	60,015,699
Mark up charged on WPPF		<u>419,616</u>	<u>876,958</u>
		71,654,362	98,874,897
Bank charges and commission		<u>1,780,030</u>	<u>1,845,822</u>
		<u>73,434,392</u>	<u>100,720,719</u>
31. TAXATION			
Charge for the year			
Current	31.1	63,326,412	37,049,510
Deferred		<u>21,278,059</u>	<u>39,492,037</u>
		<u>84,604,471</u>	<u>76,541,547</u>
31.1 Relationship between tax expenses and accounting profit			2012 Rupees
Accounting profit before taxation			<u>232,531,059</u>
Tax at applicable tax rate of 35%			81,385,871
Tax effect of expenses not allowed for tax			29,972,201
Tax effect of exempt income			(48,776,347)
Effect of tax on export sales			(916,249)
Others			1,660,936
			<u>63,326,412</u>

The provision for last year income tax was based on minimum taxation under section 113 of the income tax ordinance, 2001. Accordingly, numerical reconciliation between average effective tax rate and applicable tax rate was not reported for that year.

		2012	2011
32. EARNING PER SHARE - BASIC AND DILUTED			
Net profit for the year	Rupees	<u>147,926,588</u>	<u>65,792,050</u>
Weighted average number of shares	Number	<u>36,000,000</u>	<u>36,000,000</u>
Basic earning per share	Rupees	<u>4.11</u>	<u>1.83</u>

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.

33. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Managerial remuneration	812,093	1,124,685	3,602,452	738,264	1,967,892	2,479,999
Utilities	81,209	112,469	360,244	73,826	196,789	247,999
House rent	324,838	449,874	1,440,982	295,306	787,159	992,002
	1,218,140	1,687,028	5,403,678	1,107,396	2,951,840	3,720,000
Number of persons	1	2	5	1	2	4

----- R u p e e s -----

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

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

34. 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.

<u>Relationship with the Company</u>	<u>Nature of transaction</u>	2012 Rupees	2011 Rupees
Directors	Loan received during the year	29,063,000	-
	Long term loan repaid	29,063,000	-
	Interest on loans	1,268,597	-

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, 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	2012	+10%	(240,700,237)
		-10%	240,700,237
	2011	+10%	(300,718,382)
		-10%	300,718,382

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.

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

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	35,269,000	52,903,500
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	82,390,679	95,771,668
Financial liabilities		
Long term financing	120,803,500	135,557,500
Liabilities against assets subject to finance lease	2,432,755	73,652,384
Short term borrowings	13,379,870	222,571,187

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 Interest Rate	Effects on Profit Before Tax
Bank balances - deposit accounts			
	2012	+1.00	(823,907)
		-1.00	823,907
	2011	+1.00	957,717
		-1.00	(957,717)
Long term financing			
	2012	+1.50	(1,812,053)
		-1.50	1,812,053
	2011	+1.50	(2,033,363)
		-1.50	2,033,363
Liabilities against assets subject to finance lease			
	2012	+1.50	(36,491)
		-1.50	36,491
	2011	+1.50	(1,104,786)
		-1.50	1,104,786
Short term borrowings			
	2012	+1.50	(200,698)
		-1.50	200,698
	2011	+1.50	(3,338,568)
		-1.50	3,338,568

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:

	2012 Rupees	2011 Rupees
Trade debts	12,098,646	84,639,352
Advances	2,395,490	1,272,697
Other receivables	588,230	-
Bank balances	83,049,695	102,065,505
	<u>98,132,061</u>	<u>187,977,554</u>

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			2012 Rupees	2011 Rupees
	Short Term	Long Term	Agency		
	A1	A	JCR - VIS	-	-
	A-1	A	JCR - VIS	99,823	25,888
	P1	A1	Moody's	14,009	14,009
	A1+	AA	PACRA	74,777,780	71,275,359
	A-1+	AA	PACRA	5,162,364	24,547,160
	A1+	AA-	PACRA	34,532	34,572
	A1+	AA+	PACRA	2,682,426	2,828,693
	A-1+	AAA	JCR - VIS	90,311	287,984
	A1+	AA+	PACRA	6,317	-
	A-1+	AA+	JCR - VIS	182,133	3,051,840
				<u>83,049,695</u>	<u>102,065,505</u>

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:

	2012 Rupees	2011 Rupees
Not past due	-	-
Past due 0 - 180 days	12,098,646	84,610,935
Past due 180 - 365 days	-	9,383
1 - 2 years	-	-
More than 2 years	-	19,034
	<u>12,098,646</u>	<u>84,639,352</u>

At 30 June 2012 Company had 10 customers (2011: 12 customers) that owed the Company more than Rs. 11 million each and accounted for approximately 96 % (2011: 94%) 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.

Annual Report

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 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	-

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2011	Rupees				
Long term financing	188,461,000	266,702,150	40,706,016	225,996,134	-
Liabilities against assets					
subject to finance lease	73,652,384	84,961,453	51,760,295	33,201,158	-
Trade and other payables	73,600,909	73,600,909	73,600,909	-	-
Accrued markup on financing	21,817,866	21,817,866	21,817,866	-	-
Post employment benefits					
- Gratuity	13,032,902	13,032,902	-	13,032,902	-
Short term borrowings	222,571,187	222,571,187	222,571,187	-	-
	593,136,248	682,686,467	410,456,273	272,230,194	-

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.

35.2 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.

35.3 Financial instruments by categories

	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	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

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
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
	<u>284,413,687</u>

	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	Total
	Rupees				
As at 30 June 2011					
Assets as per balance sheet					
Long term deposits	-	3,667,560	-	-	3,667,560
Trade debts	-	84,639,352	-	-	84,639,352
Short term advances	-	1,272,697	-	-	1,272,697
Trade deposits	-	1,011,365	-	-	1,011,365
Cash and bank balances	102,096,559	-	-	-	102,096,559
	<u>102,096,559</u>	<u>90,590,974</u>	<u>-</u>	<u>-</u>	<u>192,687,533</u>

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	188,461,000
Liabilities against assets subject to finance lease	73,652,384
Trade and other payables	73,600,909
Accrued mark-up on financing	21,817,866
Post employment benefits- Gratuity	13,032,902
Short term borrowings	222,571,187
	<u>593,136,248</u>

35.4 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 represent 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, 8 and Note 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.

	Note	2012	2011
		Rupees	Rupees
The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:			
Debt	7, 8,13	171,885,125	484,684,571
Equity		<u>711,626,309</u>	<u>671,421,013</u>
Total capital employed		<u>883,511,434</u>	<u>1,156,105,584</u>
Gearing ratio		<u>19%</u>	<u>42%</u>

36. 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	11,951,901	12,275,920

36.1 Reason for Low Production

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

37. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 25 September 2012.

38. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend of Rs. 0.50 (2011: Rs. 1.50) per share, amounting to Rs. (thousand) 18,000 for the year ended 30 June 2012 (2011: Rs. (thousand) 54,000) at their meeting held on 25 September 2012 for the approval of the members at the Annual General Meeting to be held on 17 October 2012.

39. GENERAL

- Following have been re-arranged for the purpose of better presentation.

From		To		Amount
Note no.	Name	Note no.	Name	(Rupees)
13	Short term borrowing - Bank Overdraft	23	Cash and Bank Balances	3,464,043
11	Accrued liabilities	11	Creditors	14,490,337
	Advance for income tax - net		Provision for taxation	40,201,309

- Figures 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 2012**

4. No. of Shareholders	From	-----Shareholding-----	To	Total Shares Held
12	1		100	72
39	101		500	18,487
5	501		1,000	4,334
9	1,001		5,000	20,783
6	5,001		10,000	43,706
1	20,001		25,000	20,219
1	25,001		30,000	29,100
2	30,001		35,000	65,500
2	35,001		40,000	72,000
2	40,001		45,000	89,450
1	50,001		55,000	54,300
1	65,001		70,000	66,000
3	70,001		75,000	214,800
4	140,001		145,000	570,529
1	150,001		155,000	153,968
3	285,001		290,000	863,073
1	345,001		350,000	346,000
1	410,001		415,000	410,241
1	440,001		445,000	444,620
1	560,001		565,000	563,287
1	735,001		740,000	738,350
1	750,001		755,000	751,998
1	795,001		800,000	798,800
1	815,001		820,000	820,000
1	825,001		830,000	828,688
1	840,001		845,000	843,481
1	1,105,001		1,110,000	1,105,527
1	1,140,001		1,145,000	1,140,515
1	1,200,001		1,205,000	1,200,998
1	1,210,001		1,215,000	1,213,896
1	1,250,001		1,255,000	1,254,021
1	2,155,001		2,160,000	2,158,952
1	2,265,001		2,270,000	2,269,560
1	2,415,001		2,420,000	2,417,822
1	3,045,001		3,050,000	3,045,023
1	4,175,001		4,180,000	4,178,465
1	7,180,001		7,185,000	7,183,435
113				36,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officer and their spouse and minor children	16,200,533	45.0015%
5.2 Associated Companies, undertakings and related parties	0	0.0000%
5.3 NIT and ICP	0	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	20,219	0.0562%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10%	11,361,900	31.5608%
5.8 General Public		
a. Local	19,779,243	54.9423%
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	5	0.0000%

**CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G.
AS AT 30 JUNE 2012**

Name	Number of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties:	-	-
Mutual Funds:	-	-
Directors and their Spouse and Minor Children:		
1 CH. MUHAMMAD KHURSHID	2,301,235	6.3923%
2 CH. RAHMAN BAKHSH	2,426,980	6.7416%
3 MR. AZHAR KHURSHID CHAUDHRY	751,998	2.0889%
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	4,178,465	11.6068%
8 MRS. RAZIA SULTANA BEGUM	940,000	2.6111%
Executives:	-	-
Public Sector Companies & Corporations:	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	20,219	0.0562%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
1 MR. KAMRAN ILYAS	4,178,465	11.6068%
2 CH. MUHAMMAD ILYAS	7,183,435	19.9540%
3 MRS. KALSOOM KAUSAR	3,045,023	8.4584%
4 CH. RAHMAN BAKHSH	2,426,980	6.7416%
5 MS. KIRAN ARSHAD CHAUDHRY	3,089,560	8.5821%
6 CH. MUHAMMAD KHURSHID	2,301,235	6.3923%
7 MR. MUHAMMAD ARSHAD SAEED	1,969,203	5.4700%
All trades in the shares of the listed company, carried out by its Directors, Executives and their spouse and minor children:	-	-



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 23rd Annual General Meeting of Share Holders of the Company to be held on Wednesday 17 October 2012 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2012.

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

In the presence of witness :

Name _____

Signature _____

Address _____

Revenue
Stamp

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.