



Annual Report 2013



**REDCO  
TEXTILES LIMITED**

ISO 9001 Certified

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**REDCO TEXTILES LIMITED**

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## Company Information

### Board of Directors

Ms. Sarah Saif khan  
Chief Executive

Mrs. Taufiq Amanullah khan  
Mrs. Muniza Saif khan  
Mrs. Samina Asad khan  
Mr. Ahsan ur Rehman Khan  
Mr. Imran Zia  
Mr. Khalid Rehman

### Company Secretary

Mr. Asad Mumtaz Baloch

### Auditors

Mushtaq & Co, Chartered Accountants

### Audit Committee

Mrs. Taufiq Amanullah khan	Chairperson
Mrs. Muniza Saif khan	Member
Mrs. Samina Asad khan	Member
Mr. Imran Zia	Member

### HR and Remuneration Committee

Mr. Ahsan ur Rehman Khan	Chairperson
Mrs. Samina Asad khan	Member
Mr. Imran Zia	Member

### Registered Office

Redco Textiles Limited, Redco Arcade, 78-E, Blue Area, Islamabad 4400, Pakistan.  
Tel: (+92-51) 2271362-5 Fax: (+92-51) 2274336 E-mail: sales@redcogroup.com

### Mills

Redco Textiles Limited, 3-Km, Rawat-Kallar Seydan Road, P.O Sagri, Rawat,  
Rawalpindi.  
Tel: (+92-51) 4610402-4 Fax: (+92-51) 46104041 E-mail: textiles@redcogroup.com



**REDCO TEXTILES LIMITED**

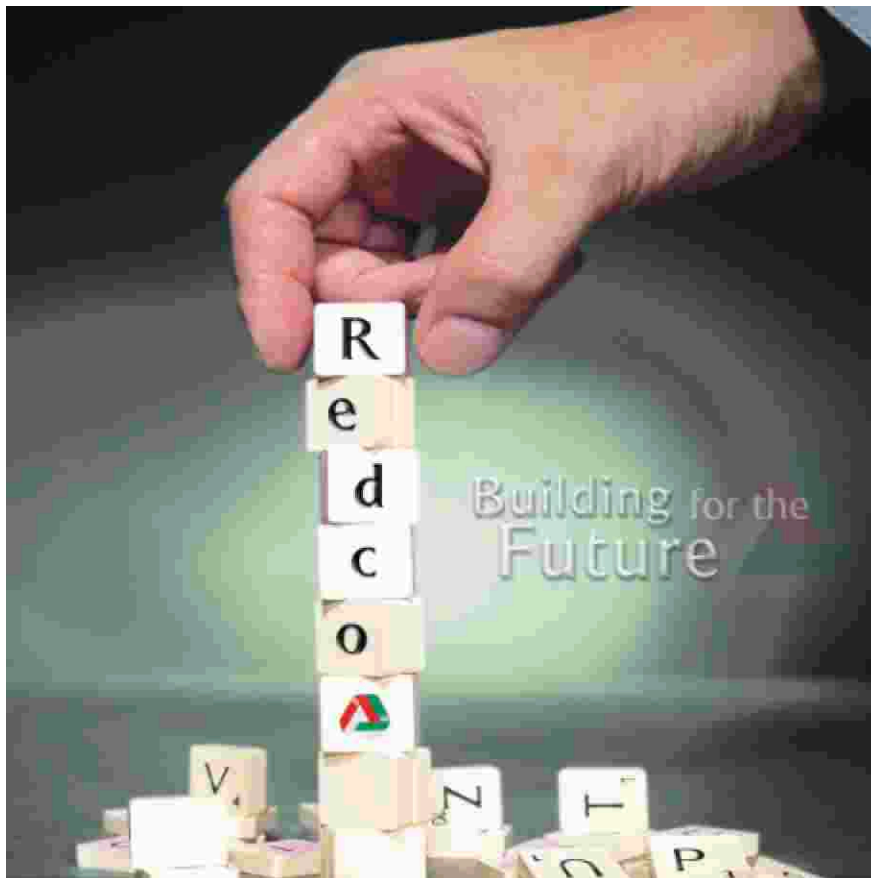
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## VISION

To become a **fully Integrated** textiles group, capable of developing **profitable** relationships with the world's brands.

To launch our own **finished products brands**.

The company shall strive to become a market leader in its fields of operation with an emphasis on providing **innovative** and high **quality** products.





## MISSION

To provide **quality** products to customers and explore new markets to **expand sales** of the company.

To cultivate a dynamic team for achieving optimum prices for the company's products for **profitable** and sustainable growth.





**NOTICE OF 22<sup>nd</sup> ANNUALL GENERAL MEETING**

Notice is hereby given that 22<sup>nd</sup> Annual General Meeting of the members of Redco Textiles Limited will be held at its Registered Office at Redco Arcade, 78-E, Blue Area, Islamabad on **Thursday 31<sup>st</sup> October 2013 at 10:00 AM** to transact the following business:

**Ordinary Business:**

- 1) To confirm the minutes of last General Meeting held on 31<sup>st</sup> October 2012.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30<sup>th</sup> 2013 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending June 30<sup>th</sup> 2013 and to fix their remuneration. The present Auditors, M/s Mushtaq & Co, Chartered Accountants, being eligible offer themselves for reappointment.
- 4) To consider any other business with permission of the chair.

By order of the Board  
**(Asad Mumtaz Baloch)**  
Company Secretary

Islamabad  
October 10, 2013

**Notes:**

- a) The Share Transfer Book of the Company will remain closed from 24<sup>th</sup> October to 31<sup>st</sup> October, 2013 (both days inclusive).
- b) A member entitles to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote.
- c) The proxy to be valid must be in writing and received at the registered office of the company not later than 48 hours before the time of meeting and must be stamped, signed and witnessed.
- d) Members are requested to notify the Company regarding change in their addresses, if any.
- e) CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Accounts and Participants ID number, for identification purpose.

## DIRECTOR'S REPORT

The Board of Directors of Redco Textiles Limited is pleased to present the 22<sup>nd</sup> annual report along with Audited Financial Statements and Auditors report thereon for the year ended June 30, 2013. This report presents the financial, operational, human resource and corporate responsibility performance of the Company and highlights the key business challenges faced by us during the year.

### Overview

By the blessing of Allah Al Mighty, Company earned profit of PKR 20.794 Million during the year ended 30<sup>th</sup> June 2013 with EPS of PKR 0.421 per share despite domestic and international economic challenges.

By the grace of Al-Mighty Allah your company during the financial year ended 30<sup>th</sup> June 2013 maintained the position in both domestic and international markets.

### Operational Performance

Your company continued to perform well despite tough business and economic conditions and posted a profit before taxation for the year ended 30<sup>th</sup> June 2013 of PKR 31.190 Million (30<sup>th</sup> June 2012: PKR 17.774 Million). The achievements of the year under review may be compared against preceding year are as under:

	2013 Rupees	2012 Rupees
Sales - net	2,438,127,292	1,712,919,359
Cost of sales	2,359,452,527	1,652,784,899
Gross profit	78,674,765	60,134,460
Distribution cost	7,127,692	5,407,758
Administrative expenses	19,274,672	13,595,431
Other operating expenses	8,322,589	4,494,284
	34,724,953	23,497,473
Operating profit	43,949,812	36,636,987
Other operating income	813,588	11,241
	44,763,400	36,648,228
Finance cost	13,573,323	18,874,131
Profit before taxation	31,190,077	17,774,097

Sales have increased from PKR 1.713 billion to PKR 2.438 billion due to increase in production and prices of production elements during the year ended 30<sup>th</sup> June 2013 as compared to previous year ended 30<sup>th</sup> June 2012. Operational Profitability of the company has also increased as compared to the previous year due to increase in prices and demand of cotton, yarn and fabric based on domestic and international market.

During the year under review, the cost of production has increased because of increase in cost of fuel and power, salaries and wages and other consumables due to cost push inflation.

Gross profit for the year under review is amounting to PKR 78.675 million as compared to PKR 60.134 million in the prior year. Whereas profit before taxation for the year under review is amounting to PKR 31.190 million as compared to PKR 17.774 million in prior year.



# REDCO TEXTILES LIMITED

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## Acknowledgment

We humbly and gratefully bow our heads before Almighty Allah, the most Gracious and Merciful for guiding us and hope that the company will continue to be rewarded and blessed by His innumerable bounties.

We also take the opportunity to express our gratitude towards worthy staff, share holders, our valued customers, suppliers and bankers for their co-operation and continued support.

## Future Prospects

Worldwide businesses are still facing the challenges of survival and global political and financial crises have yet settled. Internal issues facing Pakistan cause great concern, energy crisis have severely crippled the industry raising the cost of production immensely. The fast depreciation of the Pakistani Rupee currently is also a negative for the industry.

By thorough strategic planning we aim to further upgrade our unit to reduce labour dependency and expansion of weaving section by adding further 24 looms. Also top priority for this year again will be the procurement of cotton in a timely manner to reap the benefits in our vertically integrated production facility.

## Dividend Distribution

The company is following residual dividend policy and increasing the working capital base to avail the benefits of holdings.

## Statement of Corporate and Financial Reporting Framework

In Compliance with Code of Corporate Governance, we give below statement of corporate and financial reporting framework:

1. The financial statements presented by the management of the company presents fairly its affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account of the company have been maintained.
3. International Financial Reporting Standards (IFRS) and International Auditing Standards (IAS), as applicable in Pakistan have been followed in preparation of financial statements; any departure there from has been adequately disclosed.
4. Appropriate accounting policies have been consistently applied in preparation of financial statements.
5. The system of internal control is sound in design and it has been effectively implemented and monitored .The process review will continue and any weakness in internal control will be removed.
6. There are no significant doubts upon the listed company's ability to continue as a going concern
7. There has been no material departure from the best practices of corporate governance as detailed in listing regulations.
8. Key operating financial data for the last five years in summary form is annexed.
9. There are no levies and penalties due as on June 30, 2013.
10. Pattern of shareholding and additional data is annexed.
11. None of directors, CEO, CFO or Company Secretary or their spouses or minor children have traded in the shares of the company during the year.





## Board Meetings

During the year five board meetings were held. Attendance was as follows:

Sr.	Director Name	Attendance
1	Ms. Sarah Saif Khan	3
2	Mrs. Muniza Saif Khan	4
3	Mrs. Taufiq Amanullah Khan	5
4	Mrs. Samina Asad Khan	5
5	Mr. Imran Zia	5
6	Mr. Ah san ur Rehman Khan	4
7	Mr. Khalid Rehman Khan	4

## Audit Committee

The board of Directors in compliance with the code of corporate governance established an audit committee. The names of audit committee members are given in the 'Company Information page'.

## HR and Remuneration Committee

The board of Directors in compliance with the code of corporate governance established an HR and Remuneration Committee. The names of audit committee members are given in the 'Company Information page'.

## External Auditors

The audit committee and board of directors have recommended the re-appointment of M/S Mushtaq & Company, Chartered Accountants as external auditors up till the next Annual General Meeting.

For and on behalf of the Board,

Chief Executive

Dated: October 04, 2013



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2013

This statement is being presented to comply with the Code of Corporate Governance contained in listing Regulation No. 37, 43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company 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 independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the board includes one independent non-executive Director.
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, DFI or a NBFII or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board during the financial year under review.
5. 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.
6. The Board 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 dates of which the dates on which they were approved or amended have been maintained.
7. All the powers of the boards have been duly exercised and decision on the material transactions, including appointment and determination of remuneration and terms and conditions of employees of the CEO and other executive directors, have been taken by the Board.
8. The Meetings of the Board were presided over by the Chairperson and, in his/ her absence, by one of the directors present elected by the Board for this purpose and the Board met at least once in every quarter. Written Notices of the Board Meeting along with the agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. Board has nominated Mr. Imran Zia to attend directors training certification session beginning in October 2013 and he has registered himself for the purpose.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.



11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting of the Code.
15. The Board has formed an audit Committee. It comprises of four members including the Chairman of the Committee, of whom three are non-executive directors.
16. The meetings of the Audit Committee were held prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members including the Chairman of the Committee, of whom two are non-executive directors.
18. The board has outsourced the internal audit function to M/s Muniff Ziauddin & Co, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the Company have been confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Company and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. 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.
21. The 'closed period', prior to announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principals contained in the code have been complied with.

**Chief Executive**

Dated: October 04, 2013



**REDCO TEXTILES LIMITED**

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## **MUSHTAQ & CO.**

### **CHARTERED ACCOUNTANTS**

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843

**Branch Office:** 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360

Email Address: mushtaq\_vohra@hotmail.com

Member of



Illinois, USA

#### **REVIEW REPORT TO THE MEMBERS**

##### *On the Statement of Compliance with Best Practices of the Code of Corporate Governance*

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of **Redco Textiles Limited** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance 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 the risks and control or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub- Regulation (x) of Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Karachi.  
Dated: \_\_\_\_\_

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner:**  
Shahabuddin A. Siddiqui  
F.C.A



# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843

**Branch Office:** 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360

Email Address: mushtaq\_vohra@hotmail.com

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Redco Textiles Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 the 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 verifications, we report that;

- (a) in our opinion, proper books of accounts 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 accounts 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 June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi.  
Dated: \_\_\_\_\_

**FINANCIAL HIGHLIGHTS**

2013	2012	2011	2010	2009	2008
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(Rupees in thousands)

**Profit and Loss**

Net Sales	2,438,127	1,712,919	2,294,236	1,469,940	1,035,884	1,029,924
Gross Profit/(Loss)	78,675	60,134	58,332	59,607	41,528	6,788
Profit/(Loss) Before Taxation	31,144	17,774	19,898	5,048	(1,954)	(43,627)
Profit/(Loss) After Taxation	20,763	32,574	7,917	7,158	(6,800)	(22,755)

**Cash Outflows**

Taxes Paid	15,835	13,637	2,014	7,145	2,100	4,755
Financial Charges Paid	14,767	17,858	18,899	18,791	30,074	31,946
Fixed Capital Expenditures	3,997	14,809	123,757	18,005	40,884	37,359

**Balance Sheet**

Current Assets	660,705	595,093	534,231	478,770	537,277	530,320
Current Liabilities	306,087	278,599	269,086	197,882	278,243	298,171
Operating Fixed Assets	924,456	968,760	946,697	869,167	896,020	884,060
Total Assets	1,590,182	1,568,788	1,490,252	1,353,623	1,437,836	1,432,764
Long Term Loans and Finances			-	-	3,244	34,127
Shareholders Equity	419,248	391,788	353,277	339,109	325,353	325,247

**Ratios**

Current Ratio	2.16:1	2.14:1	1.99:1	2.4:1	1.89:1	1.78:1
Gross Profit/(Loss) %	3.23	3.51	2.54	4.05	4.00	0.65
Profit/(Loss) Before Taxation %	1.28	1.04	0.87	0.34	(0.19)	(4.23)
Earning Per Share %	0.42	0.66	0.16	0.15	(0.13)	(0.55)

**Production Machines**

Number of Air Jet Looms Installed	96	96	96	96	96	96
Number of Spindles Installed	22,500	22,500	22,500	22,500	22,500	22,500



**THE COMPANIES ORDINANCE 1984  
(Section 236(1) and 464)  
PATTERN OF SHAREHOLDING**

1. Incorporation Number 0025468 (CUIN)
2. Name of the Company Redco Textiles Limited
3. Pattern of holding of the shares held by the shareholders as at 30-06-2013

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
19	1	100	1,424
504	101	500	245,100
38	501	1000	38,000
84	1001	5000	271,400
32	5001	10000	255,476
21	10001	15000	265,800
8	15001	20000	150,000
3	20001	25000	70,500
6	25001	30000	163,700
2	30001	35000	64,200
1	35001	40000	36,500
4	40001	45000	168,600
5	45001	50000	242,900
2	50001	55000	104,500
2	55001	60000	111,500
1	60001	65000	65,000
2	75001	80000	153,200
1	85001	90000	89,200
2	95001	100000	199,500
1	105001	110000	105,500
1	110001	115000	112,000
1	120001	125000	122,800
2	140001	145000	284,500
2	145001	150000	294,800
1	160001	165000	161,500
1	165001	170000	167,500
2	175001	180000	353,300
1	265001	270000	265,400
1	290001	295000	294,700
1	300001	305000	304,500
1	350001	355000	353,500
1	355001	360000	358,200
1	440001	445000	442,300
1	445001	450000	448,800
1	535001	540000	536,500
1	695001	700000	697,000
1	785001	790000	786,600
1	795001	800000	797,500
1	880001	885000	884,600
1	1105001	1110000	1,105,750
1	1960001	1965000	1,965,000
1	8220001	8225000	8,223,300
1	13365001	13370000	13,365,400
1	14165001	14170000	14,165,150
765			<b>49292600</b>

5. Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	28,327,150	57.4673%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	1,789,700	3.6308%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,470,900	2.9840%
5.5 Insurance Companies	1,965,000	3.9864%
5.6 Modarabas and Mutual Funds	797,500	1.6179%
5.7 Share holders holding 10%	35,753,850	72.5339%
5.8 General Public		
a. Local	13,484,950	27.3569%
b. Foreign	4,000	0.0081%
5.9 Others (to be specified)		
Joint Stock Companies	808,100	1.6394%
Investment Companies	645,300	1.3091%



**Redco Textiles Limited**  
**Categories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on June 30, 2013**

Sr. No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>		-	-
<b>Mutual Funds (Name Wise Detail):</b>		-	-
1	MCBFSL - TRUSTEE NAMCO BALANCED FUND (CDC)	797,500	1.6179%
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1	MRS. TAUFIQA AMANULLAH KHAN	442,300	0.8973%
2	MRS. MUNEZA SAIF KHAN	176,400	0.3579%
3	MRS. SAMINA ASAD KHAN	176,900	0.3589%
4	MS. SARAH SAIF KHAN	14,165,150	28.7369%
5	MR. ASHAN UR REHMAN	13,365,400	27.1144%
6	MR. KHALID REHMAN KHAN	500	0.0010%
7	MR. IMRAN ZIA	500	0.0010%
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		3,435,900	6.9704%
<b>Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)</b>			
1	MR. SAIF-UR-REHMAN KHAN	8,223,300	16.6826%
2	MS. SARAH SAIF KHAN	14,165,150	28.7369%
3	MR. ASHAN UR REHMAN	13,365,400	27.1144%

**All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:**

S.No	NAME	SALE	PURCHASE
	NIL		



# REDCO TEXTILES LIMITED

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## REDCO TEXTILES LIMITED

### BALANCE SHEET

AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	924,455,999	968,759,577
Long term investment	6	114,375	80,220
Long term deposits	7	4,905,940	4,855,940
		<u>929,476,314</u>	<u>973,695,737</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	34,496,210	33,430,997
Stock in trade	9	277,216,929	292,714,290
Trade debts	10	244,272,544	168,596,021
Loans and advances	11	45,659,566	49,933,354
Trade deposits and short term prepayments	12	719,394	721,337
Tax refunds due from Government	13	37,366,565	33,913,179
Cash and bank balances	14	20,974,235	15,783,323
		<u>660,705,443</u>	<u>595,092,501</u>
<b>TOTAL ASSETS</b>		<u><u>1,590,181,757</u></u>	<u><u>1,568,788,238</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 50,000,000 (June 30, 2012: 50,000,000) ordinary shares of Rs.10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	15	492,926,000	492,926,000
Reserves		59,301	25,146
Accumulated loss		(73,737,102)	(101,163,375)
		<u>419,248,199</u>	<u>391,787,771</u>
<b>SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET OF TAX</b>	16	232,014,914	236,730,339
<b>NON CURRENT LIABILITIES</b>			
Long term financing from associated undertakings	17	417,184,624	432,184,624
Long term financing from directors and others	18	204,524,629	214,524,629
Deferred liabilities	19	11,122,305	14,961,538
		<u>632,831,558</u>	<u>661,670,791</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	192,444,961	151,868,793
Accrued mark up / interest	21	3,091,583	4,285,121
Short term borrowings	22	85,550,541	85,000,748
Current portion of :			
Long term financing from associated undertakings	17	15,000,000	37,444,675
Long term financing from directors and others	18	10,000,000	-
		<u>306,087,086</u>	<u>278,599,337</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,590,181,757</u></u>	<u><u>1,568,788,238</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

17

DIRECTOR

**REDCO TEXTILES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	24	2,438,127,292	1,712,919,359
Cost of sales	25	2,359,452,527	1,652,784,899
Gross profit		78,674,765	60,134,460
Distribution cost	26	7,127,692	5,407,758
Administrative expenses	27	19,274,672	13,595,431
Other operating expenses	28	8,369,139	4,494,284
		34,771,503	23,497,473
Operating profit		43,903,262	36,636,987
Other income	29	813,588	11,241
		44,716,850	36,648,228
Finance cost	30	13,573,323	18,874,131
Profit before taxation		31,143,527	17,774,097
Taxation	31	(10,380,353)	14,799,711
Profit for the year		20,763,174	32,573,808
Earnings per share - basic and diluted	32	0.421	0.661

*The annexed notes from 1 to 40 form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR



**REDCO TEXTILES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
Profit for the year		20,763,174	32,573,808
<b>Other comprehensive income:</b>			
<b>Available for sale financial assets</b>			
Gain arised during the period		34,155	3,725
		34,155	3,725
Total comprehensive income for the year		<u>20,797,329</u>	<u>32,577,533</u>

*The annexed notes from 1 to 40 form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR



**REDCO TEXTILES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Reserves		Accumulated loss	Total equity
	Share capital	Unrealized gain on available for sale investment		
Rupees				
Balance as at June 30, 2011	492,926,000	21,421	(139,670,338)	353,277,083
Total comprehensive income for the year	-	3,725	32,573,808	32,577,533
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	5,933,155	5,933,155
Balance as at June 30, 2012	492,926,000	25,146	(101,163,375)	391,787,771
Total comprehensive income for the year	-	34,155	20,763,174	20,797,329
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	6,663,099	6,663,099
Balance as at June 30, 2013	492,926,000	59,301	(73,737,102)	419,248,199

*The annexed notes from 1 to 40 form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

**REDCO TEXTILES LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		31,143,527	17,774,097
Adjustments for :			
Depreciation		48,300,352	49,284,436
Provision for staff retirement benefits - gratuity		5,855,842	2,572,534
Provision for workers' profit participation fund		1,692,644	936,873
Finance cost		13,573,323	18,874,131
		<u>69,422,161</u>	<u>71,667,974</u>
Operating profit before working capital changes		<u>100,565,688</u>	<u>89,442,071</u>
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(1,065,213)	(6,330,845)
Stock in trade		15,497,361	(24,058,568)
Trade debts		(75,676,523)	(15,602,207)
Trade deposits and short term prepayments		4,275,731	9,905,269
Increase / (decrease) in current liabilities			
Trade and other payables		38,883,524	(36,915,879)
		<u>(18,085,120)</u>	<u>(73,002,230)</u>
Cash generated from operations		<u>82,480,569</u>	<u>16,439,841</u>
Staff retirement benefits - gratuity paid		(5,746,023)	(5,590,376)
Finance cost paid		(14,766,861)	(17,857,512)
Sales tax income taxes paid		(15,835,117)	(13,636,773)
		<u>(36,348,001)</u>	<u>(37,084,661)</u>
Net cash generated from / (used in) operating activities		<u>46,132,568</u>	<u>(20,644,820)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment - acquired		(3,996,774)	(14,809,313)
Long term deposits		(50,000)	4,390,900
Net cash used in investing activities		<u>(4,046,774)</u>	<u>(10,418,413)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings		549,793	7,030,601
Long term financing from associated undertaking		(37,444,675)	37,444,675
Net cash (used in) / generated from financing activities		<u>(36,894,882)</u>	<u>44,475,276</u>
Net cash increase during the year		<u>5,190,912</u>	<u>13,412,043</u>
Cash and cash equivalents at the beginning of the year		15,783,323	2,371,280
Cash and cash equivalents at the end of the year	14	<u>20,974,235</u>	<u>15,783,323</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

**REDCO TEXTILES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1 STATUS AND NATURE OF BUSINESS**

Redco Textiles Limited is a Public Limited Company, incorporated in Pakistan on 17 October 1991. It was incorporated under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges. Redco's principal activities include manufacture and sale of yarn and greige fabric. The registered office of the Company is situated at 78-E, Redco Arcade, Blue Area, Islamabad.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

**2.2 Functional and presentation currency**

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

**2.3 Standards, interpretations and amendments to published approved accounting standards**

**2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2012:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the company.
- IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

**2.3.2 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective:**

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial losses as at 30 June 2013 would need to be recognized in other comprehensive income in next financial year.



- ❑ IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- ❑ IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- ❑ Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.
- ❑ Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- ❑ IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.
- ❑ IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation has no impact on financial statements of the Company.
- ❑ IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- ❑ Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.
- ❑ Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013. The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.
- ❑ IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
- ❑ IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- ❑ IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.





- ❑ IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- ❑ There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

### 2.3.3 Standards, interpretations issued by the IASB that are applicable to the company but are not yet notified by the SECP:

- ❑ IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- ❑ IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ❑ IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.
- ❑ IFRS12, 'Disclosures of interests in other entities', this standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.
- ❑ IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until April 01, 2013 but is available for early adoption.

### 2.3.4 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

- ❑ The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

## 3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention on accrual basis except Cash flows and for revaluation of certain financial instruments at fair value and recognition of certain staff retirement benefits at present value.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies which the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.



### 3.1 Income Taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in notes of these financial statements.

### 3.2 Property, Plant & Equipment

The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment loss.

### 3.3 Stores, spares and loose tools

Management has made estimates for realizable amounts of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect the carrying amount of stores and spares with corresponding effect on amounts recognized in the profit & loss account as provision / reversal.

### 3.4 Defined Benefits Plan

Certain actuarial assumptions have been adopted as disclosed in respective note of these financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect actuarial gains/losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 4.1 Property, plant and equipment

Operating fixed assets are stated at cost or revalued amounts, as the case may be, less accumulated depreciation or impairment, if any and capital work in progress is stated at cost.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. Depreciation on additions to fixed assets or deletion is charged on pro-rata basis for the period of use during the year.

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 income during the period in which they are incurred.

Amount equivalent to incremental depreciation charged on revalued assets is transferred from surplus on revaluation on revaluation of property, plant and equipment net of deferred taxation to retained earnings (unappropriated profit).

The assets' residual value and useful lives are reviewed and adjusted if significant at each balance sheet date.

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gains and losses on disposal of operating fixed assets are taken to profit and loss account.

### 4.2 Impairment losses

The company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If any such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

### 4.3 Long term investments

#### Investment available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

### 4.4 Stores, spares and loose tools

Stores and spares are stated at lower of weighted average cost and estimated net realizable value. These have been valued using moving average cost except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items.



#### 4.5 Stock in trade

Stock in trade, except stock in transit are valued at lower of cost and net realizable value except waste / regs which are valued at contract prices. Stocks of yarn / cloth purchased are valued at lower of weighted average cost and net realizable value. Cost is determined as follows:

- Raw materials - Yearly moving average method except stock in transit.
- Work in process - Average manufacturing cost including proportionate production overheads.
- Finished goods - Lower of cost and net realizable value.

Net realizable value represents estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

Stock in transit is valued at cost comprising invoice value plus other charges thereon.

#### 4.6 Trade debtors

Trade debts are carried at original invoice amount being the fair value, less an estimate made for doubtful debts based on review of outstanding amounts at the year end, if any. Provision is made against those having no activity during the current financial year and is considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

#### 4.7 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

#### 4.8 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts.

#### 4.9 Staff retirement benefits

The Company operates contributory unfunded gratuity scheme for its officers and employees. Provision for gratuity is made on the basis of last drawn salary for each completed year of service. Minimum qualifying period for gratuity benefit is one year from the date of joining. Contributions made are based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2013 using the Projected Unit Credit method (note 19.1). Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for the plan exceed 10% of the higher of defined obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

#### 4.10 Taxation

##### Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provisions of the Income Tax Ordinance, 2001.

##### Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

Further, the Company has recognized the deferred tax liability on surplus on revaluation of fixed assets which has been adjusted against the related surplus.



#### 4.11 Trade and other payables

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

#### 4.12 Provisions

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

#### 4.13 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Local sales are recognized on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

Export sales are recognized on shipment basis and the revenue from export rebate is accounted for on accrual basis.

Interest income is recognized as revenue on time proportion basis.

#### 4.14 Borrowing cost

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets are capitalized. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

#### 4.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand, cash at bank and short term investments with maturity of not later than three months at known amount in rupees.

#### 4.16 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

#### 4.17 Dividend and apportioning to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

#### 4.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

#### 4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

#### 4.20 Foreign currency translation

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.



# REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	5.1	924,455,999	968,759,577

### 5.1 Operating fixed assets

PARTICULARS	COST / REVALUATION				As at June 30, 2013	Rate	DEPRECIATION				As at June 30, 2013	BOOK VALUE As at June 30, 2013
	As at July 1, 2012	Additions / Adjustments	Deletion/ Transfer	Addition due to surplus revaluation			As at July 1, 2012	For the year	Deletion/ Transfer	Addition due to surplus revaluation		
<b>OWNED ASSETS</b>												
Freehold land	124,550,000	-	-	-	124,550,000	-	-	-	-	-	-	124,550,000
Building on free hold land	236,747,072	-	-	-	236,747,072	0.05	104,208,373	6,626,935	-	-	110,835,308	125,911,764
Plant and machinery	956,103,680	-	-	-	956,103,680	0.05	353,378,680	30,136,250	-	-	383,514,930	572,588,750
Generators	88,514,572	3,996,774	-	-	92,511,346	0.05	22,514,572	3,399,919	-	-	25,914,491	66,596,855
Tools and equipment	25,320,122	-	-	-	25,320,122	0.05	9,441,372	793,938	-	-	10,235,310	15,084,812
Tools	71,318,722	-	-	-	71,318,722	0.33	50,672,761	6,813,167	-	-	57,485,928	13,832,794
Vehicles	8,150,937	-	-	-	8,150,937	0.20	6,757,039	278,780	-	-	7,035,819	1,115,118
Furniture and fixtures	2,147,081	-	-	-	2,147,081	0.05	973,933	58,657	-	-	1,032,590	1,114,491
Office equipment	3,858,405	-	-	-	3,858,405	0.05	1,607,764	112,532	-	-	1,720,296	2,138,109
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,424,769	80,174	-	-	4,504,943	1,523,306
<b>Total 2013</b>	<b>1,522,738,840</b>	<b>3,996,774</b>	<b>-</b>	<b>-</b>	<b>1,526,735,614</b>		<b>553,979,263</b>	<b>48,300,352</b>	<b>-</b>	<b>-</b>	<b>602,279,615</b>	<b>924,455,999</b>

PARTICULARS	COST / REVALUATION				As at June 30, 2012	Rate	DEPRECIATION				As at June 30, 2012	BOOK VALUE As at June 30, 2012
	As at July 1, 2011	Additions / Adjustments	Deletion/ Transfer	Addition due to surplus revaluation			As at July 1, 2011	For the year	Deletion/ Transfer	Addition due to surplus revaluation		
<b>OWNED ASSETS</b>												
Freehold land	99,600,000	-	-	24,950,000	124,550,000	-	-	-	-	-	-	124,550,000
Building on free hold land	184,620,575	-	-	52,126,497	236,747,072	0.05	75,824,161	5,439,821	-	22,944,391	104,208,373	132,538,699
Plant and machinery	953,033,839	-	-	3,069,841	956,103,680	0.05	320,623,543	31,620,515	-	1,134,622	353,378,680	602,725,000
Generators	87,536,168	347,500	-	630,904	88,514,572	0.05	18,915,839	3,438,256	-	160,477	22,514,572	66,000,000
Tools and equipment	22,785,122	2,535,000	-	-	25,320,122	0.05	8,677,051	764,321	-	-	9,441,372	15,878,750
Tools	59,391,909	11,926,813	-	-	71,318,722	0.33	43,264,307	7,408,454	-	-	50,672,761	20,645,961
Vehicles	8,150,937	-	-	-	8,150,937	0.20	6,408,564	348,475	-	-	6,757,039	1,393,898
Furniture and fixtures	2,147,081	-	-	-	2,147,081	0.05	912,188	61,745	-	-	973,933	1,173,148
Office equipment	3,858,405	-	-	-	3,858,405	0.05	1,489,309	118,455	-	-	1,607,764	2,250,641
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,340,375	84,394	-	-	4,424,769	1,603,480
<b>Total 2012</b>	<b>1,427,152,285</b>	<b>14,809,313</b>	<b>-</b>	<b>80,777,242</b>	<b>1,522,738,840</b>		<b>480,455,337</b>	<b>49,284,436</b>	<b>-</b>	<b>24,239,490</b>	<b>553,979,263</b>	<b>968,759,577</b>

5.2 On the date of revaluation, accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

	Note	2013 Rupees	2012 Rupees
5.3 Depreciation has been allocated as follows			
Cost of sales	25	47,770,209	48,671,367
Administrative expenses	27	530,143	613,069
		<u>48,300,352</u>	<u>49,284,436</u>

		2013 Rupees	2012 Rupees
<b>6 LONG TERM INVESTMENT</b>	<b>Note</b>		
Available for sale - quoted company	6.1	114,375	80,220
<p>6.1 This represents the investment in 500 (June 30, 2012 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at June 30, 2013 is Rs. 228.75 (June 30, 2012 : Rs. 160.44) per share.</p>			
<b>7 LONG TERM DEPOSITS</b>			
Deposits :			
WAPDA		2,620,940	2,620,940
SNGPL		545,900	545,900
Cash margin		1,661,600	1,661,600
Others		77,500	27,500
		<u>4,905,940</u>	<u>4,855,940</u>
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		25,258,048	22,877,523
Spares parts		5,926,320	5,895,990
Packing material		3,264,655	4,635,146
Loose tools		47,187	22,338
		<u>34,496,210</u>	<u>33,430,997</u>
<b>9 STOCK IN TRADE</b>			
Raw material	9.1	120,433,600	92,385,808
Work in process		34,838,050	40,494,149
Finished goods	9.1	106,905,641	124,725,046
Waste		15,039,638	35,109,287
		<u>277,216,929</u>	<u>292,714,290</u>
<p>9.1 These include raw material and finished stocks amounting to Rs. 26.037 million (June 30, 2012 : Rs. 36.444 million) and amounting to Rs. 49.321 million (June 30, 2012 : Rs. 21.540 million) pledged with NIB Bank Limited (formerly PICIC Commercial Bank Limited) and Bank Alfalah against short term borrowings respectively.</p>			
<b>10 TRADE DEBTS</b>	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>Secured</b>			
Considered good		12,632,520	902,653
<b>Unsecured</b>			
Considered good		231,640,024	167,693,368
Considered doubtful		6,282,610	6,282,610
		<u>250,555,154</u>	<u>174,878,631</u>
Less: Provision for doubtful debts		(6,282,610)	(6,282,610)
		<u>244,272,544</u>	<u>168,596,021</u>
<b>11 LOANS AND ADVANCES</b>			
<b>Unsecured - considered good</b>			
Advances to:			
Suppliers		41,739,641	45,516,210
Employees	11.1	3,919,925	4,417,144
		<u>45,659,566</u>	<u>49,933,354</u>



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	Note	2013 Rupees	2012 Rupees
<b>11.1 Employees - unsecured</b>			
Considered good		3,919,925	4,417,144
Considered doubtful		5,266,941	5,266,941
		9,186,866	9,684,085
Less: Provision for doubtful advances to employees		(5,266,941)	(5,266,941)
		<u>3,919,925</u>	<u>4,417,144</u>
<b>12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Short term prepayments		719,394	721,337
		<u>719,394</u>	<u>721,337</u>
<b>13 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		28,847,189	28,637,041
Advance income tax	13.1	8,519,377	5,276,138
		<u>37,366,565</u>	<u>33,913,179</u>
<b>13.1 Advance income tax</b>			
Opening balance		5,276,138	(3,392,469)
Add: Payment / adjustment during the year		15,624,970	10,942,601
Add: Tax credit		-	14,936,453
		<u>20,901,108</u>	<u>22,486,585</u>
Adjusted against provision for the year		(12,381,731)	(17,210,447)
Closing balance		<u>8,519,377</u>	<u>5,276,138</u>
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		593,080	327,270
Cash with banks in :			
- Current accounts		20,355,967	15,446,310
- Saving accounts	14.1	25,188	9,743
		<u>20,381,155</u>	<u>15,456,053</u>
		<u>20,974,235</u>	<u>15,783,323</u>

14.1 It carries rate of return ranging from 5 % to 8 % (June 30, 2012 : 7 % to 9 %) per annum.



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## 15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
Number of shares			Rupees	Rupees
49,292,600	49,292,600	Ordinary shares of 10 each fully paid in cash	492,926,000	492,926,000

15.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

15.2 There is no movement in share capital during the year.

## 16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

	Note	2013 Rupees	2012 Rupees
Opening balance - gross		308,486,786	261,076,965
Add: Surplus arised during the year		-	56,537,752
		<u>308,486,786</u>	<u>317,614,717</u>
Less: Transferred to equity in respect of:			
Incremental depreciation on revalued assets		6,663,099	5,933,155
Related deferred tax liability		3,587,822	3,194,776
		10,250,921	9,127,931
Closing balance - gross		298,235,865	308,486,786
Less: <b>Related deferred tax liability</b>			
Revaluation at the beginning of the year		71,756,447	63,895,510
Related deferred tax liability on addition to surplus		-	11,055,713
Effect of change in tax rate		(1,947,674)	-
Amount realized during the year on account of incremental depreciation		(3,587,822)	(3,194,776)
		66,220,951	71,756,447
Closing balance - net of tax		<u>232,014,914</u>	<u>236,730,339</u>

16.1 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.

16.2 Subsequent to revaluation on September 30, 1995, September 30, 1996, September 30, 2004, May 18, 2007, and January 2008 which had resulted in surplus of Rs. 102.674 million, Rs. 262.692 million, Rs. 275.315 million, deficit of Rs.101.399 million and deficit of Rs. 67.302 respectively, the Free hold land, building on free hold land, plant and machinery and generators have been revalued again on June 30, 2012 resulting in a surplus of Rs. 56.537 million. The revaluation was conducted by an independent valuer M/s. Engineering Pakistan International (Pvt) Limited.

Had there been no revaluation, the net book value of these assets would have amounted to:

	Note	2013 Rupees	2012 Rupees
Free hold land		21,081,636	21,081,636
Building on free hold land		70,226,970	73,923,126
Plant and machinery		438,443,595	461,519,574
Generators		57,762,448	60,802,577
		<u>587,514,649</u>	<u>617,326,913</u>



17 LONG TERM FINANCING FROM ASSOCIATED UNDERTAKINGS	Note	2013 Rupees	2012 Rupees
<b>Unsecured - from related parties</b>			
Redco Pakistan Limited		326,075,159	363,519,834
Royal Holdings (Private) Limited		106,109,465	106,109,465
		432,184,624	469,629,299
Current portion shown under current liabilities		(15,000,000)	(37,444,675)
		<u>417,184,624</u>	<u>432,184,624</u>

17.1 These represent interest free, unsecured loan from associated undertaking on long term basis. The amount is not payable before June 30, 2014 except the amount disclosed as current portion shown under current liabilities.

17.2 Out of the above balance amount of Rs. 414.766 million (June 30 2012: Rs. 414.766 million) have been subordinated to NIB Bank and Bank Al-Falah Limited.

18 LONG TERM FINANCING FROM DIRECTORS AND OTHERS	Note	2013 Rupees	2012 Rupees
<b>Unsecured - from related parties</b>			
<b>Sponsor</b>			
Saif-ur-Rehman Khan		202,807,028	202,807,028
<b>Chief Executive</b>			
Ms. Sarah Saif Khan		4,592,570	4,592,570
<b>Directors</b>			
Ahsan-ur- Rehman Khan		3,525,031	3,525,031
Mrs. Tufiqah Amanullah Khan		3,600,000	3,600,000
		7,125,031	7,125,031
Current portion shown under current liabilities		(10,000,000)	-
		<u>204,524,629</u>	<u>214,524,629</u>

18.1 These represent unsecured interest free loans from directors / sponsor, which have been utilized for the import of machinery as well as for meeting the working capital requirements. The amount is not payable before June 30, 2014 except the amount disclosed as current portion shown under current liabilities.

18.2 Out of the above balance amount of Rs. 149.947 million (June 30 2012: Rs. 149.947 million) has been subordinated to NIB Bank and Bank Al-Falah Limited.

18.3 The maximum aggregate amount due to chief executive and directors at the end of any month during the year was Rs. 11,717,601 (June 30, 2012: Rs. 11,651,161).

19 DEFERRED LIABILITIES	Note	2013 Rupees	2012 Rupees
Staff retirement benefits - gratuity	19.1	1,282,083	1,172,264
Deferred taxation	19.2	9,840,222	13,789,274
		<u>11,122,305</u>	<u>14,961,538</u>
<b>19.1 Staff retirement benefits - gratuity</b>			
Opening balance		1,172,264	4,190,106
Add: Provision for the year		5,855,842	2,572,534
		<u>7,028,106</u>	<u>6,762,640</u>
Less: Paid during the year		5,746,023	5,590,376
Closing balance		<u>1,282,083</u>	<u>1,172,264</u>

#### 19.1.1 General description

The scheme provides for termination benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the company. Annual charge is based on actuarial valuation carried out as at June 30, 2013, using Projected Unit Credit Method.



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19.1.2 Principal actuarial assumptions	Note	2013 Rupees	2012 Rupees
Following are a few important actuarial assumptions used in the valuation:			
		%	%
Discount rate		10.5	13
Expected rate of increase in salary		10	10
		Years	Years
Average expected remaining working life time of the employees		5	12
<b>19.1.3 Reconciliation</b>			
Present value of defined benefit obligation as at year end		15,698,024	7,706,049
Net actuarial loss to be recognized in later periods		(14,415,941)	(6,533,785)
		1,282,083	1,172,264
<b>19.1.4 Movement in present value of defined benefit obligation</b>			
Present value of defined benefit obligation -Opening balance		7,706,049	5,322,265
Current service cost		3,548,750	1,848,684
Interest cost		1,154,456	673,856
Benefits paid during the period		(5,746,023)	(5,590,376)
Actuarial gain arising during the year		9,034,792	5,451,621
Closing balance		15,698,024	7,706,049
<b>19.1.5 Charge for the year</b>			
Current service cost		3,548,750	1,848,684
Interest cost		1,154,456	673,856
Actuarial loss charge		1,152,636	49,994
		5,855,842	2,572,534
<b>19.1.6 Changes in actuarial gain / (loss)</b>			
Unrecognized actuarial loss at the beginning		(6,533,785)	(1,132,159)
Actuarial loss arised during the year		(9,034,792)	(5,451,621)
Actuarial (loss) charged to profit and loss		1,152,636	49,994
Unrecognized actuarial loss as at year end		(14,415,941)	(6,533,785)
<b>19.1.7 Expected gratuity expenses for the year ended June 30, 2014 works out Rs. 7,272,433.</b>			
<b>19.2 Deferred taxation</b>			
Opening balance		13,789,274	19,807,266
Add: Provided on surplus during the year		-	11,055,713
Less: Reversed on surplus during the year due to rate change		(1,947,674)	-
Less: Reversed during the year in profit and loss account		(2,001,378)	(17,073,705)
		9,840,222	13,789,274
Deferred tax liabilities / (assets) arising due to taxable / (deductible) temporary differences are as follows:			
	Note	2013 Rupees	2012 Rupees
Accelerated tax depreciation		125,824,160	126,207,132
Surplus on revaluation of property, plant and equipment		66,220,951	71,756,447
Staff retirement benefits - gratuity		(435,908)	(410,292)
Provision for doubtful debts / advances		(3,926,847)	(4,042,343)
Turnover tax		(68,849,644)	(43,257,748)
Brought forward losses		(108,992,490)	(136,463,922)
		9,840,222	13,789,274
Tax rate used		34%	35%

	Note	2013 Rupees	2012 Rupees
<b>20 TRADE AND OTHER PAYABLES</b>			
Creditors		129,609,593	100,097,707
Accrued liabilities		44,003,511	30,649,108
Advances from customers		8,871,574	8,649,411
Withholding tax payable - prior years		3,407,590	9,711,700
Withholding tax payable - current year		3,832,394	1,708,928
Workers' profit participation fund	20.1	1,692,645	936,873
Workers' welfare fund		1,027,655	115,066
		<u>192,444,961</u>	<u>151,868,793</u>
<b>20.1 Workers' profit participation fund</b>			
Opening balance		936,873	2,294,557
Provision for the year		1,692,644	936,873
Less: Payment during the year		(1,040,990)	(2,455,176)
		<u>1,588,527</u>	<u>776,254</u>
Add: Interest for the year at the rate of 16.67% (June 30, 2012: 14%) percent per annum		104,118	160,619
		<u>1,692,645</u>	<u>936,873</u>
<b>20.1.1</b> The Company retains the allocation to this fund for its business operations till the amount is paid to the employees.			
<b>21 ACCRUED MARK UP / INTEREST</b>			
Interest / markup accrued on:			
Short term borrowings - NIB Bank Limited		1,217,901	1,520,129
Short term borrowings - Bank Al - Falah Limited		1,873,682	2,764,992
		<u>3,091,583</u>	<u>4,285,121</u>
<b>22 SHORT TERM BORROWINGS</b>			
Cash Finance I	22.1	-	13,637,311
Cash Finance II	22.2	24,409,405	31,757,687
Cash Finance III	22.3	12,774,736	18,065,431
Cash Finance IV	22.4	48,366,400	21,540,319
		<u>85,550,541</u>	<u>85,000,748</u>
<b>22.1</b> This facility is availed from NIB Bank Limited (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs.15 million. This facility is secured against lien on instruments (cheques) for IBP, first parri passu charge of Rs.300 million on fixed assets of the company including land, building and machinery and personal guarantee of the sponsors and directors of the company. This facility carries markup at last 7 days' average 3 month KIBOR plus 4.5% per annum (June 30, 2012: last 7 days' average 3 months KIBOR plus 4.5% per annum) and up front commission of 0.20% (June 30, 2012: 0.25 %) maximum tenor 30 days ( June 30, 2012: 30 days).			
<b>22.2</b> This facility is availed from NIB Bank (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs. 75 million (June 30, 2012: Rs.75 million) to finance cotton, yarn and fabric with a ratio of 50:10:15 (June 30, 2012 : 50:10:15) respectively. This facility is secured against hypothecation charge of Rs. 60 million on current assets of the company and 1st parri passu charge of Rs.300 million on fixed assets of the Company including land, building and machinery, pledge of cotton bales, yarn and fabric on market value, or landed cost whichever is less with 10% margin and personal guarantee of the sponsors and directors. It carries markup at last 7 days' average 3 months KIBOR plus 3% (June 30, 2012: last 7 days' average 3 months KIBOR plus 3%) per annum.			
<b>22.3</b> This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 20 million (June 30, 2012: Rs. 20 million). This facility is secured against first parri passu charge of Rs. 40 million (June 30, 2012: 40 million) on current assets of the company, first pari passu charge of Rs. 130 million (June 30, 2012: 130 million) on fixed assets of the company and personal guarantee of all directors of the company. This facility carry markup at 6 months KIBOR plus 3% (June 30, 2012: 6 months KIBOR plus 3%) per annum.			
<b>22.4</b> This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 150 million (June 30, 2012: Rs 150 million). This facility is secured against pledge of cotton on market value with 20% margin over KCA rates. It carries markup at 6 months KIBOR plus 3% (June 30, 2012 : 6 months KIBOR plus 3%) per annum.			
<b>22.5</b> The above facilities will expire on various dates by December 31, 2013.			



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## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 CONTINGENCIES

The company has availed the facility for issuance of performance guarantees (LG) (Existing) from Bank Alfalah Limited amounting to Rs. 17,232,935. This facility is secured against counter guarantee of the company and carry commission of 0.40% p.q. (maximum tenor: performance bond revolving).

### 23.2 COMMITMENTS

Outstanding commitments related to letter of credit for yarn import at the end of the year equivalent to Pak Rs. 44.25 million. (June 30, 2012: Nil).

24 SALES - Net	Note	2013 Rupees	2012 Rupees
Export			
- Fabric		53,486,367	45,566,286
Local			
- Yarn		903,441,473	473,840,337
- Fabric		1,423,894,602	1,162,782,707
		2,327,336,075	1,636,623,044
Waste sale		65,497,074	38,855,396
		2,446,319,516	1,721,044,726
Commission		(8,192,224)	(8,125,367)
		<u>2,438,127,292</u>	<u>1,712,919,359</u>

### 25 COST OF SALES

Raw material consumed	25.1	1,736,114,815	1,205,029,101
Packing material consumed	25.2	21,784,209	17,452,882
Stores and spare parts and loose tools consumed	25.3	71,619,783	53,120,960
Fuel and power		199,902,733	153,138,353
Salaries, wages and other benefits	25.4	150,143,997	116,701,281
Repairs and maintenance		7,184,397	1,864,684
Depreciation	5.3	47,770,209	48,671,367
Other expenses		12,953,713	8,101,003
Cost of manufacturing		2,247,473,856	1,604,079,631
Work in process:			
Opening		40,494,149	35,285,309
Closing		(34,838,050)	(40,494,149)
		5,656,099	(5,208,840)
Cost of goods manufactured		<u>2,253,129,955</u>	<u>1,598,870,791</u>
Finished goods:			
Opening		124,725,046	178,639,154
Fabric purchases during the year		88,503,167	-
		213,228,213	178,639,154
Closing		(106,905,641)	(124,725,046)
		<u>106,322,572</u>	<u>53,914,108</u>
		<u>2,359,452,527</u>	<u>1,652,784,899</u>

#### 25.1 Raw material consumed

Opening		127,495,095	54,731,259
Add: Purchases during the year		1,744,092,958	1,277,792,937
		1,871,588,053	1,332,524,196
Closing stock	25.1.1	(135,473,238)	(127,495,095)
		<u>1,736,114,815</u>	<u>1,205,029,101</u>

25.1.1 This includes usable waste stock of Rs. 15,036,638 (June 30, 2012: Rs. 35,109,287).

	Note	2013 Rupees	2012 Rupees
<b>25.2 Packing material consumed</b>			
Opening stock		4,635,146	4,013,155
Add: Purchases during the year		20,413,718	18,074,873
		<u>25,048,864</u>	<u>22,088,028</u>
Closing stock		(3,264,655)	(4,635,146)
		<u>21,784,209</u>	<u>17,452,882</u>
<b>25.3 Store, spare parts and loose tools consumed</b>			
Opening stock		28,795,851	23,086,997
Add: Purchases during the year		74,055,487	58,829,814
		<u>102,851,338</u>	<u>81,916,811</u>
Closing stock		(31,231,555)	(28,795,851)
		<u>71,619,783</u>	<u>53,120,960</u>

25.4 Salaries, wages and other benefits includes Rs.5,855,842 (June 30, 2012: Rs.2,572,534) in respect of staff retirement benefits - gratuity.

	Note	2013 Rupees	2012 Rupees
<b>26 Distribution cost</b>			
Salaries and other benefits		3,090,373	2,630,184
Local taxes, carriage and freight		1,013,005	269,900
Postage, telephone and telegraph		94,926	112,215
Traveling and conveyance		867,381	1,107,722
Other selling expenses		2,062,007	1,287,737
		<u>7,127,692</u>	<u>5,407,758</u>

	Note	2013 Rupees	2012 Rupees
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		8,268,351	8,019,756
Traveling and conveyance		1,224,291	886,391
Entertainment		292,297	223,433
Communication		1,055,783	642,682
Printing and stationery		350,389	310,963
Vehicle running and maintenance		893,978	289,695
Fee and subscription		480,614	505,851
Repair and maintenance		1,839,385	41,480
Depreciation	5.3	530,142	613,069
Others		4,339,442	2,062,111
		<u>19,274,672</u>	<u>13,595,431</u>

#### 27.1 Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for the remuneration, including benefits applicable to the chief executive, directors and executives of the Company are as follow:

	2013			2012		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees			Rupees		
Managerial Remuneration	-	-	6,068,000	-	-	3,465,000
	-	-	<u>6,068,000</u>	-	-	<u>3,465,000</u>
Number of Persons	1	6	7	1	6	5

27.1.1 No remuneration and benefit is provided to the chief executive, by the company (June 30, 2012: Nil).

27.1.2 No fee or remuneration was paid to the directors of the company (June 30, 2012 : Nil).



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28 OTHER OPERATING EXPENSES	Note	2013 Rupees	2012 Rupees
Legal and professional		5,133,906	2,793,301
Auditors' remuneration			
Audit fee		550,000	500,000
Fee for certification including half yearly review		80,000	77,000
		630,000	577,000
Exchange loss on export sales		-	187,110
Workers' profit participation fund		1,692,644	936,873
Workers' welfare fund		912,589	-
		<u>8,369,139</u>	<u>4,494,284</u>
29 OTHER INCOME	Note	2013 Rupees	2012 Rupees
<b>From financial assets</b>			
Dividend		3,912	3,500
Exchange gain		519,140	-
Profit on bank deposits		290,536	7,741
		<u>813,588</u>	<u>11,241</u>
30 FINANCE COST	Note	2013 Rupees	2012 Rupees
Mark up / interest on :			
Short term borrowings		11,310,771	15,973,368
Workers' profit participation fund		104,118	160,619
Bank charges and commission		2,158,434	2,740,144
		<u>13,573,323</u>	<u>18,874,131</u>
31 TAXATION			
<i>Current</i>			
Current year		12,381,731	17,210,447
Tax credit	31.2	-	(14,936,453)
		12,381,731	2,273,994
<i>Deferred</i>			
Current year		(1,607,399)	(17,073,705)
Prior year - effect of rate change		(393,979)	-
		<u>10,380,353</u>	<u>(14,799,711)</u>
31.1	The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the universal self assessment scheme of Income Tax Ordinance, 2001. Income tax assessment has been finalized up to June 30, 2013.		
31.2	It represents income tax refundable claimed in revised income tax return filed for the tax year 2011. The amount was omitted from the previously filed income tax returns.		
32 EARNINGS PER SHARE - BASIC AND DILUTED	Note	2013 Rupees	2012 Rupees
Profit for the year		20,763,174	32,573,808
		Numbers	Numbers
Weighted average number of ordinary shares outstanding during the year		49,292,600	49,292,600
		Rupees	Rupees
Earnings per share - basic		0.4212	0.6608
There is no dilutive effect on the basic earnings per share of the company.			



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## 33 TRANSACTIONS WITH RELATED PARTIES

- 33.1 The related parties and associated undertakings of the company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve inter company fund transfer and advance for repayment of the long term finance. The company's aggregate transactions with the associated companies are as follows:

Associated companies	Nature of transactions	2013 Rupees	2012 Rupees
Redco Pakistan Limited	Inter company advance / loan	(37,444,675)	37,444,675

- 33.2 There are no transactions with key management personnel other than under their terms of employment.

## 34 CORRESPONDING FIGURES

Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. Minor reclassifications were made in cash flow statement for better presentation and understanding. No significant reclassifications were made in these financial statements.



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## 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

- 35.1 Credit risk
- 35.2 Liquidity risk
- 35.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

### 35.1 Credit risk

#### 35.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 274.072 millions (June 30, 2012 : 193.652 millions), financial assets which are subject to credit risk aggregate to Rs. 253.098 million (June 30, 2012 : Rs. 177.869 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2013 Rupees	2012 Rupees
Long term deposits	4,905,940	4,855,940
Trade debts	244,272,544	168,596,021
Loan and advances	3,919,925	4,417,144
Cash and bank balances	20,974,235	15,783,323
	<u>274,072,644</u>	<u>193,652,428</u>

#### 35.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

	2013 Rupees	2012 Rupees
Yarn	104,076,335	40,226,015
Fabric	145,451,884	129,878,498
Waste	1,026,934	946,684
	<u>250,555,153</u>	<u>171,051,197</u>

#### 35.1.3 The aging of trade debtors at the balance sheet is as follows.

	Gross debtors	
	2013	2012
	Rupees	
Not past due	228,200,884	142,770,277
Past due 90 days - 1 year	2,934,603	6,665,972
More than one year	19,419,666	25,442,381
	<u>250,555,154</u>	<u>174,878,631</u>
Impairment	(6,282,610)	(6,282,610)
	<u>244,272,544</u>	<u>168,596,021</u>

### 35.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. 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 damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	2013						
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two year	Two to five years	More than five years
	Rupees						
<b>Non - derivative Financial liabilities</b>							
Long term financing from associated undertakings	432,184,624	432,184,624	-	15,000,000	-	417,184,624	-
Long term financing from directors and others	214,524,629	214,524,629	-	10,000,000	-	204,524,629	-
Accrued Mark up / interest	3,091,583	3,091,583	3,091,583	-	-	-	-
Trade and other payables	192,444,961	192,444,961	192,444,961	-	-	-	-
Short term borrowings	85,550,541	91,539,079	91,539,079	-	-	-	-
	<u>927,796,339</u>	<u>933,784,877</u>	<u>287,075,623</u>	<u>25,000,000</u>	<u>-</u>	<u>621,709,253</u>	<u>-</u>





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2012						
Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two year	Two to five years	More than five years
Rupees						
<b>Non - derivative</b>						
<b>Financial liabilities</b>						
Long term financing from associated undertakings	469,629,299	469,629,299	-	37,444,675	-	432,184,624
Long term financing from directors and others	214,524,629	214,524,629	-	-	-	214,524,629
Accrued mark up / interest	4,285,121	4,285,121	4,285,121	-	-	-
Trade and other payables	151,868,793	151,868,793	151,868,793	-	-	-
Short term borrowings	85,000,748	91,800,808	91,800,808	-	-	-
	<u>925,308,590</u>	<u>932,108,650</u>	<u>247,954,722</u>	<u>37,444,675</u>	<u>-</u>	<u>646,709,253</u>

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

### 35.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

#### 35.3.1 Currency risk

##### Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar and Euro. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company exposure to foreign currency risk is as follows.

	US Dollars	Rupees
Trade debts 2013	128,119	12,632,521
Trade debts 2012	<u>9,578</u>	<u>902,653</u>

The following significant exchange rates applied during the year.

Financial assets	Average rates		Reporting date rates	
	2013	2012	2013	2012
US Dollar to Rupee	98.10	90.68	98.60	94.00

##### Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2013 Rupees	2012 Rupees
US Dollar	(631,626)	(45,133)

#### 35.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2013 Rupees	2012 Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	25,188	9,743
Financial liabilities	<u>85,550,541</u>	<u>85,000,748</u>



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## 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 and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2012.

	Profit and loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2013	855,505	(855,505)	-	-
Cash flow sensitivity - variable rate instruments 2012	850,007	(850,007)	-	-

## 35.4 Fair value of financial assets and liabilities

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

## 35.5 Off balance sheet items

	2013 Rupees	2012 Rupees
Bank guarantees issued in ordinary course of business	17,233,000	17,233,000

35.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

## 36 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term loan from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2013	2012
Borrowings	Rupees	732,259,794	731,710,001
Total equity	Rupees	1,151,507,994	1,123,497,772
Total capital employed	Rupees	1,883,767,788	1,855,207,773
Gearing ratio	Percentage	38.87	39.44

## 37 PLANT CAPACITY AND PRODUCTION

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist. It would also vary according to the pattern of production adopted in a particular year.

	2013	2012
<b>Spinning</b>		
Number of spindles installed	22,500	22,500
Installed capacity at 20's counts based on 1080 shifts - lbs.	15,156,000	15,156,000
Capacity utilized	74%	80%
Actual production of yarn - lbs.	11,246,046	11,258,400
Actual production converted into 20's count - lbs.	10,426,027	10,475,075
Number of shifts worked per day	3	3
Number of shifts worked	861	864
<b>Weaving</b>		
Number of looms installed	96	96
Installed capacity at 60 picks - meters	11,520,000	11,520,000
Capacity utilized	85%	83%
Actual production of cloth - meters	9,848,693	9,683,113
Actual production of cloth converted at 60 picks at 100% efficiency - meters	9,303,094	8,524,779
Number of shifts per day	3	3
Number of shifts worked	896	864



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38 NUMBER OF EMPLOYEES	2013	2012
Total number of employees at the end of the year	926	877
Average number of employees during the year	858	797

## 39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on October 04, 2013.

## 40 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR



**FORM OF PROXY  
REDCO TEXTILES LIMITED**

Ledger folio no. \_\_\_\_\_ and/or,

CDC Participant ID no \_\_\_\_\_ Sub-Account no. \_\_\_\_\_

The Company Secretary,  
**Redco Textiles Limited,**  
Redco Arcade,  
78-E, Blue Area,  
Islamabad.

I/ We \_\_\_\_\_ of \_\_\_\_\_

Appoint \_\_\_\_\_

Of \_\_\_\_\_

Failing him/ he \_\_\_\_\_

Of \_\_\_\_\_

As my/ our proxy to attend and vote for me/ us on my/ our behalf, at the 22<sup>nd</sup> Annual General Meeting of the company to be held on 31<sup>st</sup> day of October, 2013 at 10:00 am and at every adjournment thereof.

As witness me/ our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2013



Signed \_\_\_\_\_ day of \_\_\_\_\_ 2013  
(Signature appended above should agree with the specimen signatures registered with the company)

**NOTE:**

1. A member entitled to attend and vote at this meeting may appoint a proxy in accordance with Article 56 of Association of the Company, Proxies, in order to be effective, must be received at 78-E, Redco Arcade, Islamabad the registered office of the company not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. In case of proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owners computerized National Identity Card or passport, Account and Participant's I.D. number must be deposited alongwith the form of proxy. In case of proxy for representative of corporate members from CDC, Board of Directors' resolution and power of attorney and the specimen signature of the nominee must be deposited along with the form of proxy. The proxy shall produce his/her original Computerized National Identity Card or passport at the time of meeting.



# REDCO TEXTILES LIMITED

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