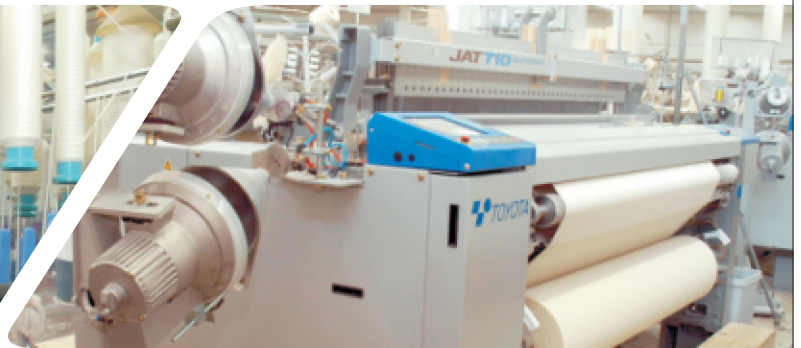


***“Say No To Corruption”***



**REDCO  
TEXTILES LIMITED**

**ISO 9001 Certified**

Annual Report 2019



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## Company Information

### Board of Directors

Ms. Sarah Saif Khan  
Chief Executive

Mrs. Taufiq Amanullah Khan  
Mrs. Muniza Saif Khan  
Mr. Irfan Ahmed Siddiqi  
Mr. Ahsan ur Rehman Khan  
Ms. Ayesha Saif Khan  
Mr. Khalid Rehman Khan

### Chief Financial Officer

Mr. Monim Ul Haq

### Company Secretary

Mr. Muhammad Kashif

### Auditors

Mushtaq & Co, Chartered Accountants

### Audit Committee

Mr. Irfan Ahmed Siddiqi	Chairperson
Mrs. Muniza Saif Khan	Member
Mrs. Taufiq Amanullah Khan	Member

### HR and Remuneration Committee

Mr. Irfan Ahmed Siddiqi	Chairperson
Ms. Sarah Saif Khan	Member
Mrs. Taufiq Amanullah Khan	Member

### Registered Office

Redco Textiles Limited, Redco Arcade, 78 -E, Blue Area, Islamabad 44000, Pakistan.  
Tel: (+92-51) 2344252-5 Fax: (+92-51) 2344256 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.







**REDCO TEXTILES LIMITED**

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## 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 28<sup>th</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that 28<sup>th</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 **Monday 28<sup>th</sup> October 2019 at 10:00 AM** to transact the following business:

### **Ordinary Business:**

- 1) To confirm the minutes of last General Meeting held on 27<sup>th</sup> October 2018.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30<sup>th</sup> 2019 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending June 30<sup>th</sup> 2020 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  
**(Muhammad Kashif)**  
Company Secretary

Islamabad  
October 05, 2019

### **Notes:**

- a) The Share Transfer Book of the Company will remain closed from 21<sup>st</sup> October to 28<sup>th</sup> October, 2019 (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, Account and Participants ID number, for identification purpose.

## DIRECTOR'S REPORT

The Directors of Redco Textiles Limited are pleased to present the 28<sup>th</sup> Annual Report along with Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2019 and other required information prescribed under the Code of Corporate Governance.

### Overview

The Pakistan textile industry contributes more than 60 percent to the country's total exports. However, currently this industry is facing great hurdles in its growth rate. These hurdles include internal security concerns, high energy costs and liquidity crunch in view of delay in tax refunds etc. Additionally rising inflation, climbing interest rates and high cost of imported inputs as a result of Pak Rupee devaluation are also effecting the growth of textile industry. Pakistan's textile industry can be brought back on winning track if government takes further serious actions in removing or normalizing the above mentioned hurdles. By the Grace of Almighty Allah the Company had resumed production of its weaving unit since December 26th 2018. The decision of resumption of operation were taken after the announcement from Government introducing subsidy for textile industry mainly in utility bills by reducing and fixing the RLNG rate on gas bill to US \$ 6.5 per MMBTU. The Company was of the view that implementation of such decision will enable the Company to save considerable conversion cost. Also to improve the productivity during the year management had decided and purchased and installed 20 looms after which conversion cost reduced significantly. The Company has incurred a gross profit of PKR 45.344 Million during the year ended 30th June 2019 and net after tax profit of Rs. 0.942 Million with EPS of PKR 0.019 per share.

### Operational and Financial Performance

The profit before taxation for the year ended 30th June 2019 of PKR 3.908 Million (30th June 2018: PKR 503.362 Million). The performance of the year under review may be compared against the preceding year below:

	2019 Rupees	2018 Rupees
Sales - net	251,366,857	441,264,370
Cost of sales	206,022,796	634,120,007
Gross Profit / (loss)	45,344,061	(192,855,637)
Distribution cost	321,987	4,792,849
Administrative expenses	13,947,496	14,864,963
Other operating expenses	25,771,612	284,932,633
	40,041,095	304,590,455
Operating Profit / (loss)	5,302,966	(497,446,082)
Other operating income	2,161	22,306
	5,305,127	(497,423,776)
Finance cost	1,397,090	5,938,624
Profit / (Loss) before taxation	3,908,037	(503,362,400)

During the year ended June 30, 2019 sales have reduced from PKR 0.441 billion to PKR 0.251 billion as compared to last year as operations were temporarily closed till December 25th 2018 and also during the year Company is mainly generating its revenue by conversion of yarn into fabric. The gross profit for the year under review is amounting to PKR 45.344 million as compared to gross loss PKR 192.856 million in the prior year. Whereas, profit before taxation for the year under review is amounting to PKR 3.908 million as compared to loss before tax of PKR 503.362 million in prior year.

### **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, shareholders, our valued customers, suppliers and bankers for their co-operation and continued support.

### **Future Prospects**

We have a clear strategy and our focus for the year ahead remains on expanding our position in the textile sector with ongoing investment in textile sector businesses as we continue to build path ways toward future, sustainable and long-term growth. The textile outlook is favorable; however, sustained growth requires consistent reforms. An educated Pakistan, energy and water security, alongside permanent improvement in security is critical to economic growth in Pakistan. Operational readiness to manage the skills gap, regional security conditions, and local political conditions could also affect the pace of progress on key milestones. Newly formed government has taken right steps to supply Gas /RLNG to textile industry at uniform rates across the Pakistan to make the textile industry competitive in the region. Management of your company is closely watching the textile current outlook for timely procurement and investment focusing efforts on minimizing cost by enhancing capacity, improving efficiencies to achieve the favorable financial results of forthcoming financial year.

### **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 significant doubts upon the Company's ability to continue as a going concern as mentioned in Auditor's Report Para Material Uncertainty related to Going Concern. The Company has given significant plans to substantiate the going concern assumptions as mentioned in notes to the Financial Statements Para 2.2
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, 2019.
10. Pattern of shareholding and additional data is annexed.
11. None of the 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	5
2	Mrs. Muniza Saif Khan	5
3	Mrs. Taufiq Amanullah Khan	5
4	Mr. Irfan Ahmed Siddiqi	5
5	Ms. Ayesha Saif Khan	5
6	Mr. Ahsan 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 the 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 HR and Remuneration 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, 2019

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
 REDCO TEXTILES LIMITED  
 FOR THE YEAR ENDING JUNE 30, 2019**

The Company has complied with the requirements of the Regulations in the following manner;

1. The total number of directors are 7 as per the following:
  - a) Male: 3
  - b) Female: 4
2. The composition of board is as follows:

Category	Directors
Independent Director	Mr. Irfan Ahmed Siddiqi
Other Non-executive Directors	Mrs. Muniza Saif Khan
	Mrs. Taufiqa Amanullah Khan
	Mr. Ahsan ur Rehman Khan
	Mr. Khalid Rehman Khan
Executive Directors	Mrs. Sarah Saif Khan
	Ms. Ayesha Saif Khan

3. All Directors have confirmed that none of them is serving as director in more than five listed companies, including this company.
4. 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.
5. 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 the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decision on relevant matters have been taken by board as empowered by the relevant provision of Act and these Regulations.
7. The Meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Majority of Directors are exempt from training requirement and Chief Executive Ms. Sarah Saif Khan has completed Director's Training Certification session in 2016.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Auditor, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:



a) Audit Committee

Mr. Irfan Ahmed Siddiqi	Chairperson
Mrs. Muniza Saif Khan	Member
Mrs. Taufiq Amanullah Khan	Member

b) HR and Remuneration Committee

Mr. Irfan Ahmed Siddiqi	Chairperson
Mrs. Sarah Saif Khan	Member
Mrs. Taufiq Amanullah Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
  - a) Audit Committee: Quarterly
  - b) HR and Remuneration Committee: Annually
15. The board has outsourced the internal audit function to M/s Muniff Ziauddin & Co who are considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board 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 that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

**Taufiq Amanullah Khan**  
**Chairman**

Dated: October 04, 2019



**MUSHTAQ & COMPANY**  
CHARTERED ACCOUNTANTS

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***Independent Auditor's Review Report***

***To the members of Redco Textiles Limited on the Statement of Compliance with the Code of Corporate Governance***

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Redco Textiles Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

**Paragraph Reference  
Description**

10

**Paragraph Reference Description**

During the year no director attended Director's Training Program and four directors meeting the exemption criteria have not yet claimed their exemption.

Place: Lahore  
Dated: October 4, 2019

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner:**  
Zahid Hussain Zahid, ACA





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## MUSHTAQ & COMPANY

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leading edge alliance  
innovation • quality • excellence

Member firm

### *Independent auditor's report to the members of Redco Textiles Limited*

#### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the annexed financial statements of Redco Textiles Limited ('the Company'), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to note 2.2 in the financial statements which indicates that Company had Ceased production of its spinning unit since 19th April 2017 and to protect entity from further losses. The company's profit for the year ended June 30, 2019 is Rupees 0.941 million (June 30, 2018: Rupees (520.426) million) and as of that date, reported accumulated loss of Rs. 821.296 million (June 30, 2018 : Rs. 825.360 million) against the issued, subscribed and paid up capital of Rs. 492.926 million (June 30, 2018 : Rs. 492.926 million). The current liabilities exceeds the current assets by Rs. 806.837 million (June 30, 2018 : Rs. 835.42 million). These conditions along with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These conditions, along with other matters as explained in note 2.2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key Audit Matter (s)*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to matter described in *Material Uncertainty Related to Going Concern* section, we have determined

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Islamabad Office: 313. First floor millennium heights, F-11/1, Islamabad Tel: 051-2224970

## MUSHTAQ & COMPANY

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The matters described below to be the key audit matters to be communicated in our report:

Key audit matter(s)	How the matter was addressed in our audit
---------------------	---

### Contingent Liabilities

The Company has disclosed significant open legal cases and other contingencies in Note 24. The assessment of the existence of the present legal obligation, and analysis of a reliable estimate, requires management's judgement to ensure appropriate accounting or disclosures.

Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this is considered to be a key audit matter

As part of our audit procedures we have assessed management's processes to identify new possible obligations and changes in existing obligations for compliance with IAS 37 requirements.

We have analyzed significant changes from prior periods and obtained an understanding of these items and assumptions applied.

We have obtained legal representation letters on the main outstanding legal cases. As part of our audit procedures we have reviewed minutes of board meetings.

We have held regular meetings with management and legal counsels. We have assessed the appropriateness of presentation in the financial statements.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises directors' report and last six years' financial analysis but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



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### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

We also provided the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Email Address: mushtaq\_vohra@hotmail.com; info@mushtaqandcompany.com



### *Report on Other Legal and Regulatory Requirements*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zahid Hussain Zahid, ACA.

**MUSHTAQ & CO**  
Chartered Accountants

Lahore.  
Dated: October 4, 2019

## FINANCIAL HIGHLIGHTS

2019	2018	2017	2016	2015	2014
------	------	------	------	------	------

(Rupees in thousands)

### Profit and Loss

Net Sales	251,367	441,264	1,816,846	1,742,092	1,677,975	2,211,316
Gross Profit/(Loss)	45,344	(192,856)	(105,790)	(14,755)	40,294	69,365
Profit/(Loss) Before Taxation	3,908	(503,362)	(157,077)	(67,764)	(15,394)	24,358
Profit/(Loss) After Taxation	942	(520,427)	(177,047)	(82,472)	(19,571)	5,417

### Cash Outflows

Taxes Paid	6,868	4,192	23,469	13,870	17,016	23,098
Financial Charges Paid	1,912	7,931	21,170	25,623	22,396	12,722
Fixed Capital Expenditures	23,985	98	24,935	25,717	185,691	106,101

### Balance Sheet

Current Assets	275,743	201,258	620,994	604,344	568,818	612,400
Current Liabilities	1,082,581	1,036,681	1,284,704	1,088,448	966,413	272,215
Operating Fixed Assets	783,255	811,081	1,045,847	1,081,183	1,112,302	982,386
Total Assets	1,064,884	1,018,237	1,672,731	1,690,754	1,686,115	1,599,822
Shareholders Equity	(22,730)	(24,008)	369,995	551,245	409,627	424,388

### Ratios

Current Ratio	0.25:1	0.19:1	0.48:1	0.56:1	0.59:1	2.25:1
Gross Profit/(Loss) %	18.04	(43.71)	(5.82)	(0.85)	2.40	3.14
Profit/(Loss) Before Taxation %	1.55	(114.07)	(8.65)	(3.89)	(0.92)	1.10
Earning Per Share %	0.02	(10.56)	(3.59)	(1.67)	(0.40)	0.11

### Production Machines

Number of Air Jet Looms Installed	92	96	120	120	120	96
Number of Spindles Installed	-	-	22,500	22,500	22,500	22,500



# REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

## FORM 34

### THE COMPANIES ACT, 2017 (Section 227(2)(f)) PATTERN OF SHAREHOLDING

1.1 Name of the Company **Redco Textiles Limited**

2.1. Pattern of holding of the shares held by the shareholders as at

**30-06-2019**

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
34	1	100	1,263
485	101	500	236,320
107	501	1,000	107,000
217	1,001	5,000	661,457
72	5,001	10,000	578,028
27	10,001	15,000	348,349
26	15,001	20,000	473,096
14	20,001	25,000	333,300
4	25,001	30,000	113,587
5	30,001	35,000	162,000
7	35,001	40,000	272,800
4	40,001	45,000	168,100
7	45,001	50,000	345,300
3	50,001	55,000	158,000
5	55,001	60,000	287,500
2	65,001	70,000	133,500
1	70,001	75,000	71,000
2	75,001	80,000	153,700
1	80,001	85,000	85,000
1	85,001	90,000	88,700
3	95,001	100,000	300,000
1	100,001	105,000	104,800
1	105,001	110,000	106,100
1	120,001	125,000	122,800
1	130,001	135,000	133,500
1	140,001	145,000	142,400
2	145,001	150,000	294,800
2	175,001	180,000	353,300
1	205,001	210,000	205,500
1	220,001	225,000	223,500
2	235,001	240,000	473,000
2	265,001	270,000	532,400
1	290,001	295,000	294,700
1	440,001	445,000	442,300
1	445,001	450,000	448,800
1	625,001	630,000	627,500
1	880,001	885,000	884,600
1	1,105,001	1,110,000	1,105,750
1	1,960,001	1,965,000	1,965,000
1	8,220,001	8,225,000	8,223,300
1	13,365,001	13,370,000	13,365,400
1	14,165,001	14,170,000	14,165,150
1052			<b>49,292,600</b>

<b>2.3 Categories of shareholders</b>	<b>Share held</b>	<b>Percentage</b>
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	28,150,750	57.1095%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	416,400	0.8448%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,011,322	2.0517%
2.3.5 Insurance Companies	1,965,000	3.9864%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Share holders holding 10% or more	35,753,850	72.5339%
2.3.8 General Public		
a. Local	16,317,327	33.1030%
b. Foreign	4,000	0.0081%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	782,501	1.5875%
2- Investment Companies	645,300	1.3091%

**Redco Textiles Limited**  
**Catagories of Shareholding required under Code of Coprorate Governance (CCG)**  
**As on June 30, 2019**

Sr. No.	Name	No. of Shares	Percentage
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**Associated Companies, Undertakings and Related Parties (Name Wise Detail):**

- -

**Mutual Funds (Name Wise Detail)**

- -

**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MRS. TAUFIQA AMANULLAH KHAN	442,300	0.8973%
2	MRS. MUNEZA SAIF-UR-REHMAN KHAN	176,400	0.3579%
3	MR. IRFAN AHMAD SIDDIQUE	500	0.0010%
4	MRS. SARAH SAIF KHAN	14,165,150	28.7369%
5	MR. ASHAN UR REHMAN	13,365,400	27.1144%
6	MS. AYESHA SAIF KHAN	500	0.0010%
7	MR. KHALID REHMAN KHAN	500	0.0010%

**Executives:**

- -

**Public Sector Companies & Corporations:**

- -

**Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

2,976,322 6.0381%

**Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)**

S. No.	NAME	HOLDING	%AGE
1	MRS. SARAH SAIF KHAN	14,165,150	28.7369%
2	MR. ASHAN UR REHMAN	13,365,400	27.1144%
3	MR. SAIF-UR-REHMAN KHAN	8,223,300	16.6826%

**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
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NIL



**REDCO TEXTILES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	783,254,940	811,080,931
Long term investment	6	65,745	77,810
Long term deposits	7	5,819,879	5,819,879
		<b>789,140,564</b>	<b>816,978,620</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	38,079,393	41,307,000
Stock in trade	9	10,061,647	1,073,376
Trade debts	10	92,329,726	66,942,002
Loans and advances	11	28,039,840	31,244,118
Trade deposits and short term prepayments	12	25,890	57,534
Tax refunds due from Government	13	63,699,027	59,938,982
Cash and bank balances	14	43,507,956	695,291
		<b>275,743,479</b>	<b>201,258,303</b>
<b>TOTAL ASSETS</b>		<b>1,064,884,043</b>	<b>1,018,236,923</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 50,000,000 (June 30, 2018: 50,000,000) ordinary shares of Rs.10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	15	492,926,000	492,926,000
Surplus on revaluation of property plant and equipment - Net of tax	16	305,629,748	308,403,505
Other reserves		10,670	22,735
Accumulated loss		(821,296,223)	(825,360,567)
		<b>(22,729,805)</b>	<b>(24,008,327)</b>
<b>NON CURRENT LIABILITIES</b>			
Long term financing from banking companies	17	-	-
Deferred liabilities	18	5,032,640	5,563,912
		<b>5,032,640</b>	<b>5,563,912</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	89,492,453	77,116,204
Accrued mark up / interest	20	-	514,481
Short term borrowings from banking companies	21	-	16,942,607
Short term borrowings from associated undertakings	22	709,645,499	637,824,722
Short term borrowings from directors and others	23	283,443,256	296,591,020
Current portion of : Long term financing from banking companies		-	7,692,304
		<b>1,082,581,208</b>	<b>1,036,681,338</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,064,884,043</b>	<b>1,018,236,923</b>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
Sales	25	251,366,857	441,264,370
Cost of sales	26	206,022,796	634,120,007
Gross Profit / (loss)		45,344,061	(192,855,637)
Distribution cost	27	321,987	4,792,849
Administrative expenses	28	13,947,496	14,864,963
Other operating expenses	29	25,771,612	284,932,633
		40,041,095	304,590,445
Operating Profit / (loss)		5,302,966	(497,446,082)
Other income	30	2,161	22,306
		5,305,127	(497,423,776)
Finance cost	31	1,397,090	5,938,624
Profit / (Loss) before taxation		3,908,037	(503,362,400)
Taxation	32	(2,966,061)	(17,064,218)
Profit / (Loss) for the year		941,976	(520,426,618)
Profit/ (Loss) per share - basic and diluted	33	0.019	(10.558)

*The annexed notes form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
Profit / (Loss) for the year		941,976	(520,426,618)
<b>Other comprehensive income:</b>			
<b>Items that will never be reclassified subsequently to profit or loss</b>			
Gain on revaluation of land and buildings		-	121,313,064
Impact of deferred tax		-	8,162,611
Effect of rate change		-	1,539,305
		-	131,014,980
Re-measurement on staff retirement benefits		490,734	(6,473,735)
Deferred tax on remeasurement of staff retirement benefits		(142,123)	1,874,995
		348,611	(4,598,740)
<b>Investments at fair value through other comprehensive income</b>			
Fair value Gain / (loss) arised during the period		(12,065)	7,465
		(12,065)	7,465
Total comprehensive profit / (loss) for the year		<u>1,278,522</u>	<u>(394,002,913)</u>

*The annexed notes form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



# REDCO TEXTILES LIMITED

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## REDCO TEXTILES LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

Share capital	Reserves		Revenue Reserves	Total equity
	Revaluation Surplus	Unrealized gain/(loss) on available for sale investment	Accumulated loss	
Rupees				
492,926,000	217,320,455	15,270	(340,267,139)	369,994,586
-	-	-	(520,426,618)	(520,426,618)
-	131,014,980	7,465	(4,598,740)	126,423,705
-	(34,498,623)	-	34,498,623	-
-	(5,433,308)	-	5,433,308	-
492,926,000	308,403,505	22,735	(825,360,567)	(24,008,327)
-	-	-	941,976	941,976
-	-	(12,065)	348,611	336,546
-	-	-	-	-
-	(2,773,757)	-	2,773,757	-
492,926,000	305,629,748	10,670	(821,296,223)	(22,729,805)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (Loss) before taxation		3,908,037	(503,362,400)
Adjustments for :			
Depreciation		32,977,897	54,113,055
Provision for staff retirement benefits - gratuity		943,786	921,004
Impairment loss on Revaluation of fixed assets		-	80,679,670
Loss on sale of property, plant and equipment		16,562,826	200,284,854
Finance cost		1,397,090	5,938,624
		51,881,599	341,937,207
Operating profit / (loss) before working capital changes		55,789,636	(161,425,193)
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		3,227,607	8,475,209
Stock in trade		(8,988,271)	305,038,868
Trade debts		(25,387,724)	80,837,137
Loan & Advances and Trade deposits		3,235,922	10,255,371
Increase / (decrease) in current liabilities			
Trade and other payables		12,376,249	(163,226,508)
		(15,536,217)	241,380,077
Cash (used in)/generated from operations		40,253,419	79,954,884
Staff retirement benefits - gratuity paid		(984,324)	(11,716,394)
Finance cost paid		(1,911,571)	(7,930,948)
Taxes paid		(6,868,230)	(4,191,609)
		(9,764,125)	(23,838,951)
Net cash (used in)/generated from operating activities		30,489,294	56,115,933
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment - acquired		(23,985,158)	(98,400)
Proceeds from sale of property, plant and equipment		2,270,427	21,100,000
Net cash (used in)/generated from investing activities		(21,714,731)	21,001,600
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings from banking companies		(16,942,607)	(54,397,344)
Short term borrowings from associated undertakings		71,820,777	44,892,849
Short term borrowings from directors and others		(13,147,764)	(50,676,932)
Long term financing from banking companies		(7,692,304)	(30,769,232)
Net cash generated from/(used in) financing activities		34,038,102	(90,950,659)
Increase / (Decrease) in cash and cash equivalents		42,812,665	(13,833,126)
Cash and cash equivalents at the beginning of the year		695,291	14,528,417
Cash and cash equivalents at the end of the year	14	43,507,956	695,291

*The annexed notes form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

**REDCO TEXTILES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1 The Company and its Operations**

1.1 Redco Textiles Limited is a Public Limited Company, incorporated in Pakistan on 17 October 1991. It was incorporated under the repealed Companies Ordinance, 1984 now the Companies Act, 2017 and is listed on Pakistan Stock Exchanges. Redco's principal activities include manufacture and sale of yarn and grey 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

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

**2.2 Going concern assumption**

Company had Ceased production of its spinning unit since 19th April 2017 to protect entity from further losses. The company's profit for the year ended June 30, 2019 is Rupees 0.941 million (June 30, 2018: Rupees (520.426) million) and as of that date, reported accumulated loss of Rs. 821.296 million (June 30, 2018 : Rs. 825.360 million) against the issued, subscribed and paid up capital of Rs. 492.926 million (June 30, 2018 : Rs. 492.926 million). The current liabilities exceeds the current assets by Rs. 806.837 million (June 30, 2018 : Rs. 835.42 million). These conditions along with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, these financial statements have been prepared on going concern assumption as during the year as the company has resumed its weaving unit since December 26 2018 due to incentives introduced by the Government. Now, the Company is generating its revenue by conversion of yarn into fabrics. Also Directors have conveyed their commitment for providing continued financial support.

**2.3 Basis of measurement**

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements, all transactions have been accounted for on accrual basis.

**2.4 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

## 2.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45 to these financial statements.

## 2.6 Standards, interpretations and amendments to published approved accounting standards

### 2.6.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year :

Following standards, amendments and interpretations are effective for the year beginning on or after July 01, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- ✧ IFRS 9 'Financial instruments' - This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model.
- ✧ IFRS 15 'Revenue from contracts with customers' - This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company except that the Long Term Investments previously classified as "Available for sale" are now classified as "At fair value through OCI". All related changes to the accounting policies have been made in these financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

### 2.6.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the company

- ✧ The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- ❑ IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.
- ❑ IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after January 01, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.
- ❑ There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the company and therefore have not been presented here.

### 3 Summary of Significant Accounting Policies

#### 3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

#### 3.2 Employee benefits

##### Short term employees benefits

The company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

##### Post retirement benefits

##### Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.



Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

Actuarial gains and losses are recognized in comprehensive income for the period in which these arise.

### 3.3 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

#### Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or minimum of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

#### Deferred

Deferred tax is accounted for 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 tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

### 3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.5 Trade and other payables

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

### 3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

### 3.7 Property, plant and equipment and depreciation

#### Owned assets

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.

**Subsequent cost**

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.

**Depreciation**

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.

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

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

Disposal of assets is recognized when significant risks and rewards 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.

**Impairment**

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

**Leased assets**

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

**3.8 Capital work in process**

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

**3.9 Investments in associate - Equity Method**

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the carrying amount is increased or decreased to recognize the company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the company's profit and loss account. Distribution received from investee, reduces the carrying amount of investment. The changes in the associate's equity which are not recognized in the associates' profit and loss account, are recognized directly in the equity of the Company.

### **3.10 Financial assets and liabilities**

#### **Financial assets**

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

#### **Amortised Cost**

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

#### **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The nomenclature of the available for sale investments has been changed to fair value through other comprehensive income.

#### **Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value and subsequent to initial recognition changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

#### **Derecognition**

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

#### **Financial Liabilities**

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

### **3.11 Impairment**

#### **Financial Assets**

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers and contract assets. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### **Non-Financial Assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.12 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3.13 Stores and spares**

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

### 3.14 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

Raw material	At weighted average cost or replacement cost whichever is lower
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost or net realizable value whichever is lower
Waste	Net realizable value

Valuation of raw material, work in process and finished goods as on 30th June have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

### 3.15 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method.

### 3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

### 3.17 Revenue recognition

Revenue from sale of goods and conversion is recognised when control of goods is transferred to customers.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.

Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.

### 3.18 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### 3.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.

### **3.20 Transactions with related party**

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

### **3.21 Segment reporting**

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property , plant and equipment.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment Segments reported are Spinning, Weaving and Power Generation, Which also reflects the management structure of company.

## **4 Capital Management**

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.



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## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	2019 Rupees	2018 Rupees
Non operating fixed assets	5.1	781,063,316	811,080,931
Capital work in progress	5.3	2,191,624	-
		<u>783,254,940</u>	<u>811,080,931</u>

### 5.1 Non operating fixed assets

PARTICULARS	COST / REVALUATION					DEPRECIATION						BOOK VALUE
	As at July 1, 2018	Additions / Adjustments	Deletion/ Transfer	Addition/(deficit) due to surplus revaluation	As at June 30, 2019	Rate	As at July 1, 2018	For the year	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2019	As at June 30, 2019
OWNED ASSETS												
Freehold land	274,010,000	-	-	-	274,010,000	-	-	-	-	-	-	274,010,000
Building on free hold land	328,503,322	-	-	-	328,503,322	0.05	172,232,222	7,813,555	-	-	180,045,777	148,457,545
Plant and machinery	534,290,235	18,902,100	(36,312,823)	-	516,879,512	0.05	251,790,235	14,121,276	(17,832,823)	-	248,078,688	268,800,824
Generators	89,849,514	-	-	-	89,849,514	0.05	29,849,514	3,000,000	-	-	32,849,514	57,000,000
Tools and equipment	25,320,122	-	-	-	25,320,122	0.05	13,647,783	583,617	-	-	14,231,400	11,088,722
Tools	130,745,742	2,891,434	-	-	133,637,176	0.33	110,255,475	6,971,019	-	-	117,226,494	16,410,682
Vehicles	9,659,800	-	(1,975,000)	-	7,684,800	0.20	7,978,345	265,640	(1,621,747)	-	6,622,238	1,062,562
Furniture and fixtures	2,343,237	-	-	-	2,343,237	0.05	1,306,047	51,860	-	-	1,357,907	985,330
Office equipment	4,516,805	-	-	-	4,516,805	0.05	2,276,932	111,994	-	-	2,388,926	2,127,880
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,849,543	58,935	-	-	4,908,478	1,119,771
Total 2019	1,405,267,026	21,793,534	(38,287,823)	-	1,388,772,737		594,186,095	32,977,897	(19,454,570)	-	607,709,422	781,063,316

PARTICULARS	COST / REVALUATION					DEPRECIATION						BOOK VALUE
	As at July 1, 2017	Additions / Adjustments	Deletion/ Transfer	Addition/(deficit) due to surplus revaluation	As at June 30, 2018	Rate	As at July 1, 2017	For the year	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2018	As at June 30, 2018
OWNED ASSETS												
Freehold land	124,550,000	-	-	149,460,000	274,010,000	-	-	-	-	-	-	274,010,000
Building on free hold land	281,475,151	-	-	47,028,171	328,503,322	0.05	140,528,306	7,047,342		24,656,574	172,232,222	156,271,100
Plant and machinery	1,175,170,259	-	(378,829,658)	(262,050,367)	534,290,235	0.05	519,741,509	32,771,438	(177,228,553)	(123,494,159)	251,790,235	282,500,000
Generators	114,600,901	-	(35,769,939)	11,018,552	89,849,514	0.05	39,238,275	2,936,881	(15,986,190)	3,660,548	29,849,514	60,000,000
Tools and equipment	25,320,122	-	-	-	25,320,122	0.05	13,033,449	614,334	-	-	13,647,783	11,672,339
Tools	130,647,342	98,400	-	-	130,745,742	0.33	100,167,293	10,088,182	-	-	110,255,475	20,490,267
Vehicles	9,659,800	-	-	-	9,659,800	0.20	7,557,981	420,364	-	-	7,978,345	1,681,455
Furniture and fixtures	2,343,237	-	-	-	2,343,237	0.05	1,251,458	54,589	-	-	1,306,047	1,037,190
Office equipment	4,516,805	-	-	-	4,516,805	0.05	2,159,044	117,888	-	-	2,276,932	2,239,874
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,787,506	62,037	-	-	4,849,543	1,178,706
Total 2018	1,874,311,867	98,400	(414,599,597)	(54,543,643)	1,405,267,026		828,464,820	54,113,055	(193,214,743)	(95,177,038)	594,186,095	811,080,931

	Note	2019 Rupees	2018 Rupees
5.2 Depreciation has been allocated as follows			
Cost of sales	26	32,489,468	53,458,177
Administrative expenses	28	488,429	654,878
		<u>32,977,897</u>	<u>54,113,055</u>

### 5.3 Capital work in progress

Building civil works	2,191,624	-
	<u>2,191,624</u>	<u>-</u>

5.4 Out of this total impairment loss on plant & machinery, an amount of PKR. Nil (June 30, 2018: PKR 57.86 million) has been recorded in the statement of other comprehensive income as a reversal of surplus on revaluation of property, plant and equipment.

### 5.5 Disposal of property, plant and equipment

Particulars	Name of buyer	City	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds	(Gain)/Loss
Rupees								
<b>Outsiders</b>								
Picanol Looms	Muhammad Anwar	Islamabad	Negotiation	36,312,823	17,832,823	18,480,000	1,350,427	17,129,573
Vehicle	Raja Tahir Mehmood	Islamabad	Negotiation	300,000	296,657	3,343	50,000	(46,657)
Vehicle	Sohrab Ali	Islamabad	Negotiation	600,000	403,392	196,608	370,000	(173,392)
Vehicle	Muhammad Saeed	Islamabad	Negotiation	1,075,000	921,698	153,302	500,000	(346,698)
				<u>38,287,823</u>	<u>19,454,570</u>	<u>18,833,253</u>	<u>2,270,427</u>	<u>16,562,826</u>

5.6 The company had its land freehold / leasehold, buildings on freehold land and plant and machinery revalued. Revaluation of the assets was carried out by the independent valuers "Engineering Pakistan Int'l (Pvt.) Limited" on June 30, 2018. The value is assessed on the basis of professional knowledge, present market conditions and available records. Freehold / leasehold land, building on freehold land, and plant and machinery was revalued at market value. The company has incorporated arevaluation surplus of Rs. 40,633,394 on revaluation of above assets on the basis of said valuation report. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

5.7 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of Immovable	Total Area (in acres)	Total area (in sq ft.)
Area of Land	Production facility	31.1	1,356,349
Covered Area (Factory)	Production facility	6.2	269,883

5.8 Forced sale value of the non-operating asset is Rs. 628,500,880.



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		2019 Rupees	2018 Rupees
<b>6 LONG TERM INVESTMENT</b>	<b>Note</b>		
Fair value through other comprehensive income - quoted company	6.1	65,745	77,810
<b>6.1</b>	This represents the investment in 500 (June 30, 2018 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at is Rs. 131.49 (June 30, 2018 : Rs. 155.62) per share.		
<b>7 LONG TERM DEPOSITS</b>	<b>Note</b>		
Deposits :			
WAPDA		2,620,940	2,620,940
SNGPL		3,121,439	3,121,439
Others		77,500	77,500
		<b>5,819,879</b>	<b>5,819,879</b>
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		31,728,971	35,100,096
Spares parts		5,896,466	5,655,164
Packing material		430,410	531,342
Loose tools		23,546	20,398
		<b>38,079,393</b>	<b>41,307,000</b>
<b>9 STOCK IN TRADE</b>			
Raw material		64,359	289,088
Work in process		1,325,951	-
Finished goods	9.1	8,671,337	784,288
		<b>10,061,647</b>	<b>1,073,376</b>
<b>9.1</b>	These include waste stock measured at net realizable value amounting to Rs. 944,738 (June 30, 2018 : Rs. 35,834) and cost converted stock amounting to Rs. 7,425,413 (June 30, 2018 : Rs. Nil) .		
<b>10 TRADE DEBTS</b>	<b>Note</b>		
Local-Unsecured			
Considered good		92,329,726	66,942,002
Considered doubtful		13,192,450	11,893,562
		<b>105,522,176</b>	<b>78,835,564</b>
Less: Allowance for ECL on trade debts	10.1	(13,192,450)	(11,893,562)
		<b>92,329,726</b>	<b>66,942,002</b>
<b>10.1 Allowance for ECL on trade debts</b>			
Opening balance		11,893,562	9,306,463
Allowance for ECL during the year		1,298,888	2,587,099
Allowance no longer required/recovered		-	-
Closing balance		<b>13,192,450</b>	<b>11,893,562</b>
<b>11 LOANS AND ADVANCES</b>			
Unsecured			
Advances to:			
Suppliers (Considered good)		25,925,997	30,267,875
Suppliers (Considered doubtful)		4,493,684	-
Employees (Considered good)		2,113,843	976,243
Employees (Considered doubtful)		5,266,941	5,266,941
		<b>37,800,465</b>	<b>36,511,059</b>
Allowance for ECL on loans and advances	11.1	(9,760,625)	(5,266,941)
		<b>28,039,840</b>	<b>31,244,118</b>
<b>11.1 Particulars of allowance for loans and advances</b>	<b>Note</b>		
Opening balance		5,266,941	5,266,941
Allowance for ECL during the year		4,493,684	-
Allowance no longer required/recovered		-	-
Closing balance		<b>9,760,625</b>	<b>5,266,941</b>
<b>11.2</b>	These loans are given against the salaries, wages and gratuity of the employees.		





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		2019 Rupees	2018 Rupees
<b>12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>	<b>Note</b>		
Short term prepayments		25,890	57,534
		<u>25,890</u>	<u>57,534</u>
<b>13 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		45,276,567	41,896,680
Advance income tax	13.1	18,422,460	18,042,302
		<u>63,699,027</u>	<u>59,938,982</u>
<b>13.1 Advance income tax</b>			
Opening balance		18,042,302	20,144,998
Add: Payment / adjustment during the year		3,488,342	3,384,611
		<u>21,530,644</u>	<u>23,529,609</u>
Adjusted against provision for the year		(3,108,184)	(5,487,307)
Closing balance		<u>18,422,460</u>	<u>18,042,302</u>
<b>14 CASH AND BANK BALANCES</b>	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Cash in hand		389,228	49,607
Cash with banks in :			
- Current accounts		43,082,450	613,713
- Saving accounts	14.1	36,278	31,971
		<u>43,118,728</u>	<u>645,684</u>
		<u>43,507,956</u>	<u>695,291</u>
<b>14.1</b>	It carries rate of return ranging from 2 % to 10.25 % (June 30, 2018 : 2 % to 5 %) per annum.		



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## 15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		2019	2018
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	2019 Rupees	2018 Rupees
	Opening balance - gross		331,062,365	265,991,456
Add:	Surplus arising during the year-net Related deferred tax liability		- -	129,475,676 (8,162,611)
			-	121,313,064
Less:	Disposal of fixed assets Related deferred tax liability		- -	34,498,623 14,090,987
			-	48,589,609
Less:	Transferred to equity in respect of: Incremental depreciation on revalued assets Related deferred tax liability		2,773,757 1,132,943	5,433,308 2,219,238
			3,906,700	7,652,546
	Closing balance - gross		327,155,665	331,062,365
Less:	Related deferred tax liability			
	Revaluation at the beginning of the year		22,658,860	48,671,001
	Related deferred tax liability on addition to surplus		-	(8,162,611)
	Effect of change in tax rate		-	(1,539,305)
	Amount transferred due to disposal		-	(14,090,987)
	Amount realized during the year on account of incremental depreciation		(1,132,943)	(2,219,238)
			21,525,917	22,658,860
	Closing balance - net of tax		305,629,748	308,403,505

16.1 The Free hold land, building on free hold land, plant and machinery and generators have been revalued again on June 30, 2018 resulting in a surplus of Rs. 40.633 million. The revaluation was conducted by an independent valuer M/s. Engineering Pakistan International (Pvt) Limited.

### Basis of revaluation:

Free hold land	Market value
Building on free hold land	Replacement cost
Plant and machinery	Replacement cost
Generators	Replacement cost

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

	Note	2019 Rupees	2018 Rupees
Free hold land		21,081,636	21,081,636
Building on free hold land		84,940,349	89,410,893
Plant and machinery		268,800,824	282,500,000
Generators		46,289,894	48,726,205
		421,112,703	441,718,734

## 17 LONG TERM FINANCING FROM BANKING COMPANIES

### -Secured

	2019 Rupees	2018 Rupees
Opening balance	-	38,461,536
Received during the year	-	-
	-	38,461,536
Payment during the year	-	(30,769,232)
	-	7,692,304
Current portion	-	(7,692,304)
	-	-



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- 17.1** Company obtained 4 years term finance loan amounting to Rs. 100.00 million against the facility of Rs. 100 million from Bank Alfalah Limited against import of machinery. This loan was secured against personal guarantee of the directors, 1st parri passu charge of Rs.40 million over the current asset, 1st parri passu charge of Rs 295 million over the fixed asset of the company.

The loan was repayable in 13 equal quarterly installments commencing from August 11, 2015. The loan was subject to mark up at 3 month kibar plus 3% per annum. Mark up was payable quarterly. The grace period for the repayment of long term loan was 9 months from date of disbursement.

These loans have been fully repaid during the year through current maturity in current year.

	Note	2019 Rupees	2018 Rupees
<b>18 DEFERRED LIABILITIES</b>			
Staff retirement benefits - gratuity	18.1	5,032,640	5,563,912
Deferred taxation	18.2	-	-
		<u>5,032,640</u>	<u>5,563,912</u>
<b>18.1 Staff retirement benefits - gratuity</b>			
Opening balance		5,563,912	10,339,967
Add: Provision for the year		943,786	921,004
Remeasurements recognized		(490,734)	6,473,735
		<u>6,016,964</u>	<u>17,734,706</u>
Transferred to Current Maturity		-	(454,400)
Less: Paid during the year		984,324	11,716,394
		<u>5,032,640</u>	<u>5,563,912</u>
<b>18.1.1 Closing balance</b>			

## 18.1.1 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, 2019, using Projected Unit Credit Method.

	Note	2019 Rupees	2018 Rupees
<b>18.1.2 Principal actuarial assumptions</b>			
Following are a few important actuarial assumptions used in the valuation:			
		%	%
Discount rate		14.25%	8.77%
Expected rate of increase in salary		12.00%	10.00%
		Years	Years
Average expected remaining working life time of the employees		-	2

## 18.1.3 Movement in present value of defined benefit obligation

Present value of defined benefit obligation -Opening balance	5,563,912	10,339,967
Current service cost	361,124	513,821
Interest cost	582,662	407,183
Benefits paid during the period	(984,324)	(11,716,394)
Transfer to current Maturity	-	(454,400)
Remeasurement loss/ (gain) arising during the year	(490,734)	6,473,735
Closing balance	<u>5,032,640</u>	<u>5,563,912</u>

## 18.1.4 Charge for the year

Current service cost	361,124	513,821
Interest cost	582,662	407,183
	<u>943,786</u>	<u>921,004</u>

## 18.1.5 Gratuity expenses have been allocated as follows

Cost of goods manufactured	943,786	921,004
	<u>943,786</u>	<u>921,004</u>

## 18.1.6 Expenses recognized in other comprehensive income

Remeasurement in the year	(490,734)	6,473,735
---------------------------	-----------	-----------

## 18.1.7 Sensitivity analysis of actuarial assumption

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumption by 100 basis point

	Increase in assumption	Decrease in assumption
Discount rate	(172,408)	180,121
Expected rate of increase in future salaries	182,159	(177,344)



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## 18.1.8 Historical information

	2019 Rupees	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees
Present value of defined benefits obligation	5,032,640	5,563,912	10,339,967	12,598,608	9,429,293
Experience adjustments on plan liabilities	(490,734)	6,473,735	5,999,969	1,995,365	(4,286,830)

18.1.9 Expected gratuity expenses for the year ended June 30, 2020 works out Rs. 988,827.

## 18.2 Deferred taxation

Opening balance	-	-
Add: Provided on surplus during the year	-	(8,162,611)
Less: Reversed on surplus during the year due to rate change	-	(1,539,305)
Add / (less): Provided / (reversed) during the year in profit and loss account	(142,123)	11,576,911
Less: Charged through other comprehensive income due to remeasurements	142,123	(1,874,995)
	-	-

Deferred tax liabilities / (assets) arising due to taxable / (deductible) temporary differences are as follows:

Note	2019 Rupees	2018 Rupees
Accelerated tax depreciation	60,078,170	54,829,360
Surplus on revaluation of property, plant and equipment	21,525,917	30,821,472
Surplus (reversed)/arised due to revaluation of property plant and equipment	-	(8,162,611)
Staff retirement benefits - gratuity	(1,459,466)	(1,743,090)
Provision for doubtful debts / advances	(6,652,612)	(4,970,215)
Turnover tax carried forward	(56,078,081)	(74,394,891)
Brought forward tax losses	(211,227,210)	(217,239,078)
	(193,813,281)	(220,859,054)
	29%	29%

During the year net deferred tax assets amounting to Rs. 192,589,576 (2018: Rs. 220,859,054) has not been recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Note	2019 Rupees	2018 Rupees
<b>19 TRADE AND OTHER PAYABLES</b>		
Creditors	31,584,541	34,088,151
Accrued liabilities	24,718,678	11,448,831
Advances from customers	13,371,282	13,023,749
Withholding tax payable	18,284,425	18,099,360
Workers' profit participation fund	1,077,414	-
Workers' welfare fund	456,113	456,113
	89,492,453	77,116,204

### 19.1 Workers' profit participation fund

Opening balance	-	-
Add: Interest on funds utilized in the company's business	-	-
	-	-
Less: Payment during the year	-	-
Allocation for the year	1,077,414	-
	1,077,414	-

19.1.1 Interest on Workers' Profit Participation Fund has been provided @ Nil % (30 June 2018: Nil %) per annum.

### 19.2 Workers welfare fund

Opening balance	456,113	456,113
Provision for the year	-	-
Less: Payment during the year	-	-
	456,113	456,113

## 20 ACCRUED MARK UP / INTEREST

Note	2019 Rupees	2018 Rupees
Interest / markup accrued on:		
Long term borrowings - Bank Al - Falah Limited	-	88,190
Short term borrowings - Bank Al - Falah Limited	-	426,291
	-	514,481

## 21 SHORT TERM BORROWINGS FROM BANKING COMPANIES

Secured - From banking companies -		
Cash Finance II	21.1	16,942,607
	-	16,942,607



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- 21.1 This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 20 million (June 30, 2018: Rs. 20 million). This facility is secured against first parri passu charge of Rs. 40 million (June 30, 2018: 40 million) on current assets of the company, first pari passu charge of Rs. 295 million (June 30, 2018: 295 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, 2018: 6 months KIBOR plus 3%) per annum payable quarterly. During the year outstanding loan is paid off.

22	SHORT TERM BORROWINGS FROM ASSOCIATED UNDERTAKINGS	Note	2019 Rupees	2018 Rupees
	Subordinated to banking companies			
	Unsecured - from related parties			
	Redco Pakistan Limited	22.1	603,536,034	531,715,257
	Royal Holdings (Private) Limited	22.1	106,109,465	106,109,465
			<u>709,645,499</u>	<u>637,824,722</u>

- 22.1 These are unsecured and interest free loans payable to associated undertakings. Out of the above balance amount of Rs. Nil (June 30 2018: Rs. 414.766 million) have been subordinated to Bank AlFalsh Limited.

23	SHORT TERM BORROWINGS FROM DIRECTORS AND OTHERS	Note	2019 Rupees	2018 Rupees
	Subordinated to banking companies			
	Unsecured - from directors and sponsors			
	Sponsor			
	Saif-ur-Rehman Khan	23.1	271,225,655	284,373,419
	Chief Executive			
	Ms. Sarah Saif Khan	23.1	5,092,570	5,092,570
	Directors			
	Ahsan-ur- Rehman Khan	23.1	3,525,031	3,525,031
	Mrs. Tufiqah Amanullah Khan	23.1	3,600,000	3,600,000
			<u>283,443,256</u>	<u>296,591,020</u>

- 23.1 These are unsecured and interest free loans payable to the directors, chief executive and sponsors. Out the above balance amount of Rs. Nil (June 30 2018: Rs. 247.139 million) have been subordinated to Bank AlFalsh Limited.

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 CONTINGENCIES

- 24.1.1 The company has availed the facility for issuance of performance guarantees (LG) (Existing) from Bank Alfalah Limited amounting to Rs. 26,940,753 (June 30, 2018 : Rs. 26,940,753). This facility is secured against counter guarantee of the company and carry commission of 0.40% per quarter (June 30, 2018 :0.40% per quarter) maximum tenor: performance bond revolving.
- 24.1.2 The company had filed suit W.P.No. 19030 of 2015 in Honorable Lahore High Court against the recovery of arrears of gas infrastructure development cess (GIDC) on basis of Section 8 (2) of the Gas infrastructure development cess act 2015 (GIDC Act 2015) which categorically grant exemption to such industrial consumers of natural gas. The Honorable Court has granted an interim stay and restraining the Sui Northern Gas pipeline (SNGPL) from recovery of arear amount of GIDC and next hearing is at 16th of October 2018. Disposed off in favour of the petitioner.
- 24.1.3 The company had filed a writ petition in the Honorable Lahore High Court against the recovery of gas tariff difference rate decided from Oil and Gas Regularity Authority (OGRA). Presently, W.P was disposed in our favour on 19-01-2018 but respondents OGRA & Federation of Pakistan has filed appeal befor Supreme Court of Pakistan. Case heard on 21-03-2019 and was disposed of in favour of the company.
- 24.1.4 The company has filed petition W.P.No. 49584-2017 against recovery of Arears of RLNG.Presently Arears has been stayed by Lahore High Court Lahore. Next hearing is at 01-10-2019.
- 24.1.5 The company has filed an appeal RFA No. 18 of 2015 against SNGPL that involves the controversy of overbilling of gas charges by SNGPL. The case was originally decided against the Company by the Trial Court, However, the Company has filed the said appeal against the order of the Trial Court, which is pending adjudication before the Honorable Islamabad High Court. There is a likelihood of the said appeal decided by the Honorable Court in near future.

### 24.2 COMMITMENTS

Outstanding commitments related to letter of credit at the end of the year equivalent to Pak Rs. Nil. (June 30, 2018: Rs. Nil).

25	SALES	Note	2019 Rupees	2018 Rupees
	Local			
	- Yarn		25,001,497	90,825,787
	- Fabric		224,118,361	348,923,124
			<u>249,119,858</u>	<u>439,748,911</u>
	Waste sale		4,922,926	4,394,987
			<u>254,042,784</u>	<u>444,143,898</u>
	Further tax		(685,250)	(1,231,774)
	Commission		(1,990,677)	(1,647,754)
			<u>251,366,857</u>	<u>441,264,370</u>

	Note	2019 Rupees	2018 Rupees
<b>26 COST OF SALES</b>			
Raw material consumed	26.1	61,811,141	289,208,005
Packing material consumed	26.2	633,972	580,328
Stores and spare parts and loose tools consumed	26.3	18,786,955	7,044,679
Fuel and power		56,408,088	24,061,714
Salaries, wages and other benefits	26.4	41,286,811	75,309,501
Repairs and maintenance		1,777,610	521,778
Depreciation	5.2	32,489,468	53,458,177
Other expenses		2,041,751	2,885,813
Cost of manufacturing		<b>215,235,796</b>	<b>453,069,995</b>
Work in process:			
Opening		-	23,781,297
Closing		(1,325,951)	-
		<b>(1,325,951)</b>	<b>23,781,297</b>
Cost of goods manufactured		<b>213,909,845</b>	<b>476,851,291</b>
Finished goods:			
Opening		784,288	158,053,004
Closing		(8,671,337)	(784,288)
		<b>(7,887,049)</b>	<b>157,268,716</b>
		<b>206,022,796</b>	<b>634,120,007</b>
<b>26.1 Raw material consumed</b>	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Opening		289,088	124,277,944
Add: Purchases during the year		61,586,412	165,219,149
		<b>61,875,500</b>	<b>289,497,093</b>
Closing stock		(64,359)	(289,088)
		<b>61,811,141</b>	<b>289,208,005</b>
<b>26.2 Packing material consumed</b>	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Opening stock		531,342	2,607,692
Add: Purchases during the year		533,040	377,122
Less: Purchases return during the year		-	(1,873,144)
		<b>1,064,382</b>	<b>1,111,670</b>
Closing stock		(430,410)	(531,342)
		<b>633,972</b>	<b>580,328</b>
<b>26.3 Store, spare parts and loose tools consumed</b>	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Opening stock		40,775,658	47,174,518
Add: Purchases during the year		15,660,280	4,236,144
Less: Purchase return during the year		-	(3,590,325)
		<b>56,435,938</b>	<b>47,820,337</b>
Closing stock		(37,648,983)	(40,775,658)
		<b>18,786,955</b>	<b>7,044,679</b>
<b>26.4 Salaries, wages and other benefits includes Rs. 943,786 (June 30, 2018: Rs. 921,004) in respect of staff retirement benefits - gratuity.</b>			
<b>27 Distribution cost</b>	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Salaries and other benefits		251,237	3,555,875
Local taxes, carriage and freight		40,000	517,640
Postage, telephone and telegraph		3,750	65,178
Traveling and conveyance		27,000	654,156
		<b>321,987</b>	<b>4,792,849</b>



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## 28 ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries and other benefits		8,772,525	10,405,169
Traveling and conveyance		1,271,677	303,570
Entertainment		445,606	254,308
Communication		539,301	873,439
Printing and stationery		334,342	190,032
Vehicle running and maintenance		361,896	522,408
Fee and subscription		105,000	100,000
Repair and maintenance		76,030	75,535
Depreciation	5.2	488,429	654,878
Others		1,552,690	1,485,624
		<u>13,947,496</u>	<u>14,864,963</u>

### 28.1 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:

	2019			2018		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees			Rupees		
Managerial Remuneration	-	211,526	9,493,642	-	1,269,156	6,028,080
	-	211,526	9,493,642	-	1,269,156	6,028,080
Number of Persons paid	1	1	6	1	1	5

28.1.1 Other than One Director, company has not paid any fee or remuneration to executive / non executive directors of the company (June 30, 2018 : Rs. Nil).

## 29 OTHER OPERATING EXPENSES

	Note	2019 Rupees	2018 Rupees
Legal and professional		1,641,800	579,735
Auditors' remuneration			
Audit fee		600,000	704,275
Half yearly review		97,000	97,000
		697,000	801,275
Allowance for ECL on trade debt		1,298,888	2,587,099
Allowance for ECL on loans and advances		4,493,684	-
Impairment loss on fixed assets		-	80,679,670
Loss on disposal of fixed assets		16,562,826	200,284,854
Workers' Profit Participation Fund		1,077,414	-
		<u>25,771,612</u>	<u>284,932,633</u>

## 30 OTHER INCOME

	Note	2019 Rupees	2018 Rupees
From financial assets			
Dividend		-	1,620
Profit on bank deposits		2,161	20,686
		<u>2,161</u>	<u>22,306</u>

## 31 FINANCE COST

Mark up / interest on :			
Long term borrowings		149,804	2,297,128
Short term borrowings		212,618	2,470,198
Bank charges and commission		1,034,668	1,171,297
		<u>1,397,090</u>	<u>5,938,624</u>

## 32 TAXATION

<b>Current</b>			
Current year		3,142,086	5,552,019
Prior year		(33,902)	(64,712)
		<u>3,108,184</u>	<u>5,487,307</u>
<b>Deferred</b>			
Current year		(142,123)	11,576,911
		<u>2,966,061</u>	<u>17,064,218</u>

32.1 Numerical reconciliation between average tax rate and applicable tax rate is not presented as current tax liability is calculated under minimum tax.

32.2 The assessment of the company will be finalized under the assessment scheme of Income Tax Ordinance, 2001. Income tax assessment has been finalized up to June 30, 2018.

33 EARNINGS PER SHARE - BASIC AND DILUTED	Note	2019 Rupees	2018 Rupees
Profit / (Loss) for the year		941,976	(520,426,618)
Weighted average number of ordinary shares outstanding during the year		49,292,600	49,292,600
Earnings / (Loss) per share - basic		0.0191	(10.5579)
There is no dilutive effect on the basic earnings per share of the company.			

#### 34 TRANSACTIONS WITH RELATED PARTIES

34.1 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	2019 Rupees	2018 Rupees
Redco Pakistan Limited	Inter company advance / loan - received	74,808,324	48,214,214
Redco Pakistan Limited	Inter company advance / loan - payment	2,987,547	3,321,365

34.2 There is no share holding in associated companies and relationship is based on common directorship.

Related parties	Nature of transactions	2019 Rupees	2018 Rupees
Saif Ur Rehman Khan	Borrowing from major share holder - receipts	12,440,340	10,978,232
Saif Ur Rehman Khan	Borrowing from major share holder - payment	25,588,104	61,665,164

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



### 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. 143,771 millions (June 30, 2018 :74,433 millions), financial assets which are subject to credit risk aggregate to Rs. 100,263 million (June 30, 2018 : Rs. 73,738 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.

	2019 Rupees	2018 Rupees
Long term deposits	5,819,879	5,819,879
Trade debts	92,329,726	66,942,002
Loan and advances	2,113,843	976,243
Cash and bank balances	43,507,956	695,291
	<b>143,771,404</b>	<b>74,433,415</b>

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

	2019 Rupees	2018 Rupees
Yarn	3,666,809	43,100,053
Fabric	99,751,556	34,135,937
Waste	2,103,811	1,599,575
	<b>105,522,176</b>	<b>78,835,564</b>

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

	Gross debtors	
	2019	2018
	Rupees	
Not past due	82,140,374	-
Past due 90 days - 1 year	1,409,276	60,978,837
More than one year	21,972,526	17,856,726
	<b>105,522,176</b>	<b>78,835,564</b>
Impairment	(13,192,450)	(11,893,562)
	<b>92,329,726</b>	<b>66,942,002</b>

#### 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.

	2019					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two year	Two to five years
	Rupees					
<b>Non - derivative Financial liabilities</b>						
Long term financing from banking companies	-	-	-	-	-	-
Accrued Mark up / interest	-	-	-	-	-	-
Trade and Other Payables	75,043,757	75,043,757	75,043,757			
<b>Short term borrowings:</b>						
from banking companies	-	-	-	-	-	-
from associated undertaking	709,645,499	709,645,499	709,645,499	-	-	-
from directors and others	283,443,256	283,443,256	283,443,256	-	-	-
	<b>1,068,132,512</b>	<b>1,068,132,512</b>	<b>1,068,132,512</b>	<b>-</b>	<b>-</b>	<b>-</b>



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2018

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						

## Non - derivative Financial liabilities

Long term financing from banking companies

7,692,304	8,169,699	8,169,699	-	-	-	-
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Accrued Mark up / interest

514,481	514,481	514,481	-	-	-	-
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Trade and Other Payables

64,092,455	64,092,455	64,092,455	-	-	-	-
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### Short term borrowings:

from banking companies

16,942,607	17,793,126	17,793,126	-	-	-	-
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from associated undertaking

637,824,722	637,824,722	637,824,722	-	-	-	-
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from directors and others

296,591,020	296,591,020	296,591,020	-	-	-	-
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1,023,659,757	1,024,987,671	1,024,987,671	-	-	-	-
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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. The company has not exposed to any currency risk.

### 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.

	2019 Rupees	2018 Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	36,278	31,971
Financial liabilities	-	24,634,911

#### 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, 2018.

	Profit and loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2019	-	-	-	-
Cash flow sensitivity - variable rate instruments 2018	246,349	(246,349)	246,349	(246,349)

## 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

Bank guarantees issued in ordinary course of business

2019 Rupees	2018 Rupees
26,940,753	26,940,753

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.



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## 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.

		2019	2018
Borrowings	Rupees	-	16,942,607
Total equity	Rupees	(22,729,805)	(7,065,720)
Total capital employed	Rupees	(22,729,805)	9,876,887
Gearing ratio	Percentage	-	171.54

## 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.

	2019	2018
<b>Spinning</b>		
Number of spindles installed	-	-
Installed capacity at 20's counts based on 1080 shifts - lbs.	-	-
Capacity utilized	-	-
Actual production of yarn - lbs.	-	-
Actual production converted into 20's count - lbs.	-	-
Number of shifts worked per day	-	-
Number of shifts worked	-	-
<b>Weaving</b>		
Number of looms installed	92	96
Installed capacity at 60 picks - meters	17,064,900	13,540,200
Capacity utilized	39%	19%
Actual production of cloth - meters	5,168,431	2,638,201
Actual production of cloth converted at 60 picks at		
100% efficiency - meters	6,662,522	2,538,246
Number of shifts per day	3	3
Number of shifts worked	561	276

## 38 NUMBER OF EMPLOYEES

Number of employees worked at June 30		
Head office	11	10
Factory	289	28
	300	38
Average number of employees worked during the year		
Head office	10	15
Factory	144	113
	154	128

## 39 CORRESPONDING FIGURES

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

## 40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on \_\_\_\_\_.

## 41 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



## بورڈ میٹنگ

سال کے دوران پانچ بورڈ میٹنگ وقوع پذیر ہوئی ہیں، جنکی حاضری مندرجہ ذیل ہے

نمبر شمار	ڈائریکٹر کا نام	حاضری
۱	محترمہ سارہ سیف خان	5
۲	بیگم منزہ سیف خان	5
۳	بیگم توفیقہ امان اللہ خان	5
۴	محترم عرفان احمد صدیقی	5
۵	محترمہ عائشہ سیف خان	5
۶	محترم احسان الرحمن خان	4
۷	محترم خالد رحمان خان	4

## آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی پیروی کرتے ہوئے آڈٹ کمیٹی بنائی ہے اور جن کے نام کمپنی کے معلوماتی صفحے پر موجود ہیں۔

## HR اور خدمات کے صلی کی کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی پیروی کرتے ہوئے HR اور خدمات کے صلی کی کمیٹی بنائی ہے اور جن کے نام کمپنی کے معلوماتی صفحے پر موجود ہیں۔

## ایکسٹرنل آڈیٹر

آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے میسرز مشتاق اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو اگلے سالانہ اجلاس تک کے لیے ایکسٹرنل آڈیٹر کے طور پر دوبارہ نامزد کرنے کی سفارش کی ہے

## بحکم بورڈ آف ڈائریکٹرز

سی۔ ای۔ او

بتاریخ: ۰۴ اکتوبر، ۲۰۱۹



**REDCO TEXTILES LIMITED**

ISO 9001 2000 Certified

نمو کے لیے بھی اہم ہے مہارت کے فرق کو سنبھالنے کے لیے عملی تیاری، علاقائی سلامتی کے حالات اور مقامی سیاسی حالات بھی اہم سنگ میل پر پیشرفت کی رفتار کو متاثر کر سکتے ہیں۔ نو تشکیل شدہ حکومت نے ٹیکسٹائل کی صنعت کو خطے میں مسابقتی بنانے کے لئے پاکستان بھر میں ٹیکسٹائل انڈسٹری کو یکساں نرخوں پر گیس/آرائل این جی کی فراہمی کے لئے صحیح اقدامات اٹھائے ہیں آپ کی کمپنی کی مینجمنٹ کی بروقت خریداری اور صلاحیت بڑھا کر لاگت کو کم سے کم کرنے کی کوششوں پر توجہ مرکوز کرنے والی سرمایہ کاری اور افادیت کو بہتر بنانے پر نظر ہے تاکہ آئندہ مالی سال کے سازگار مالی نتائج حاصل ہو سکیں۔

## ڈیوڈنڈ کی تقسیم

کمپنی باقی ماندہ ڈیوڈنڈ کا طریقہ کار اپنا رہی ہے اور ورکنگ کیپٹل کی بیس کو بڑھا رہی ہے تاکہ ہولڈنگ سے فائدہ حاصل کیا جاسکے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

کوڈ آف کارپوریٹ گورننس کے مطابق ہم مندرجہ ذیل کارپوریٹ اور فنانشل رپورٹنگ کے طریقہ کار کی سیٹمنٹ بیان کر رہے ہیں۔

- ۱۔ کمپنی کی مینجمنٹ کی طرف سے پیش کردہ فنانشل سیٹمنٹ شفاف طریقے سے اسکے معاملات، آپریشن کے نتائج، رقم کے بہاؤ اور ایکویٹی میں تبدیلی کو بیان کر رہی ہے۔

۲۔ کمپنی کے بک آف اکاؤنٹ اچھے طریقے سے برقرار رکھے جا رہے ہیں۔

۳۔ IFRS انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز اور IAS انٹرنیشنل آڈیٹنگ سٹینڈرڈز جیسے پاکستان میں نافذ العمل ہیں، فنانشل سیٹمنٹ انکے مطابق بنائی گئی ہیں اور ان سے روگردانی کو اچھے طریقے سے بیان کر دیا گیا ہے۔

۴۔ مناسب اکاؤنٹنگ پالیسی کو مستقل مزاجی سے استعمال کرتے ہوئے فنانشل سیٹمنٹ کو بنایا گیا ہے۔

۵۔ انٹرنل کنٹرول کا طریقہ کار مضبوط ہے اور اسکو بہترین طریقہ سے اپنایا جا رہا ہے اور اس پر نظر رکھی جا رہی ہے، اس کے طریقہ کار کا مسلسل جائزہ لیا جاتا رہے گا اور انٹرنل کنٹرول کے حوالے سے کسی بھی کمزوری کو ختم کر دیا جائے گا۔

۶۔ کمپنی کے منصوبوں اور امور کی انجام دہی کیلئے اسکی صلاحیت پر شک ہے جسکے ذکر آڈیٹرز رپورٹ کے پیرا غیر یقینی صورتحال میں کیا گیا ہے کمپنی نے اپنی مالیاتی رپورٹ کے پیرا 2.2 میں اس غیر یقینی صورتحال سے نکلنے کے لئے اہم منصوبوں کا ذکر کیا گیا ہے۔

۷۔ لیسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی بے ضابطگی عمل میں نہیں آئی ہے۔

۸۔ گزشتہ پانچ سال کا اہم آپریشننگ اور مالیاتی ڈیٹا خلاصے کی شکل میں ساتھ لگا دیا گیا ہے۔

۹۔ 30 جون 2019ء تک کوئی جرمانہ واجب الادا نہیں ہے۔

۱۰۔ حصہ داری کی ترتیب اور اضافی معلومات ساتھ لگا دی گئی ہیں۔

۱۱۔ کوئی بھی ڈائریکٹر CEO, CFO یا کمپنی سیکرٹری یا ان کے Spouses یا مایمیز چائلڈ کمپنی کے حصص کی تجارت میں دوران سال ملوث نہیں رہے ہیں۔



سالانہ کارکردگی کو پچھلے سال کے ساتھ ذیل میں موازنہ کیا گیا ہے

سال 2018 روپے	سال 2019 روپے	
441,264,370	251,366,857	خالص فروخت
634,120,007	206,022,796	فروخت کی لاگت
(192,855,637)	45,344,061	مجموعی منافع (خسارہ)
4,792,849	321,987	ڈسٹری بیوٹن لاگت
14,864,963	13,947,496	انتظامی اخراجات
284,932,633	25,771,612	دیگر آپرٹنگ اخراجات
304,590,455	40,041,095	
(497,446,082)	5,302,966	آپریٹنگ منافع (خسارہ)
22,306	2,161	دیگر آپریٹنگ آمدنی
(497,423,776)	5,305,127	
5,938,624	1,397,090	فنانس لاگت
(503,362,400)	3,908,037	ٹیکس سے پہلے کا منافع (خسارہ)

اختتام شدہ سال 30 جون 2019 کے دوران فروخت 0.441 بلین روپے سے 0.251 بلین روپے تک کم ہو گئی ہے۔ کیونکہ پیداوار کا عمل عارضی طور پر 25 دسمبر 2018 تک بند رہا ہے اور دوران سال بنیادی طور پر کمپنی دھاگہ سے کپڑا بنا کر اپنی آمدن بنا رہی ہے۔ جائزہ پذیر سال میں مجموعی منافع 45.344 بلین روپے ہے جبکہ پچھلے سال میں 192.856 بلین روپے کا مجموعی نقصان تھا۔ جبکہ موجودہ سال میں ٹیکس سے پہلے منافع 3.908 بلین روپے ہے اور پچھلے سال میں ٹیکس سے پہلے نقصان 503.362 بلین روپے تھا۔

## اعتراف

ہم عاجزی اور ممنونیت کے ساتھ اپنے سر اللہ وسبحانہ و تعالیٰ کے سامنے جھکتے ہیں جو بہت مہربان، رحم کرنے والا ہے کہ ہم کو رہنمائی دے اور امید کرتے ہیں کہ کمپنی اس کے انعام اور فضل سے بہرہ مند ہوتی رہے گی۔ ہم اس موقع پر قابل قدر شرافت، شیئر ہولڈرز اور قابل قدر گاہک، سپلائرز اور بینکوں کے تعاون اور مسلسل مدد کے لیے مشکور ہیں۔

## مستقبل کے امکانات

ہمارے پاس واضح حکمت عملی ہے اور آئندہ سال کیلئے ہماری توجہ ٹیکسٹائل کی شعبے میں اپنی پوزیشن کو وسعت دینے پر ہے جس سے ٹیکسٹائل سیکٹر کے کاروبار میں سرمایہ کاری ہوگی کیونکہ ہم مستقل، پائیداری اور طویل مدتی ترقی کی طرف راہیں تیار کرتے رہینگے۔ ٹیکسٹائل کا ماحول سازگار ہے تاہم مستحکم نمو کے لئے مستحکم اصلاحات کی ضرورت ہے۔ تعلیم یافتہ پاکستان، توانائی اور پانی کی حفاظت کے ساتھ ساتھ ملکی سلامتی میں مستقل بہتری پاکستان میں معاشی



## ڈائریکٹرز رپورٹ

ریڈ کو ٹیکسٹائلز لمیٹڈ کے ڈائریکٹرز 28 واں سالانہ میزانیہ بمعہ آڈیٹڈ فنانشل سٹیٹمنٹ اور آڈیٹر رپورٹ جو کہ اختتام شدہ سال 30 جون 2019ء کے لیے ہے اور باقی ضروری معلومات جو کہ کوڈ آف کارپوریٹ گورننس میں واضح کی گئی ہیں کو پیش کرتے ہوئے بہت خوشی محسوس کر رہے ہیں

### مجموعی جائزہ :

پاکستان میں ٹیکسٹائل کی صنعت ملک کی کل برآمدات میں 60 فیصد سے زیادہ کا حصہ ڈالتی ہے۔ تاہم، فی الحال یہ صنعت اپنی نمو کی شرح میں بڑی رکاوٹوں کا سامنا کر رہی ہے ان رکاوٹوں میں داخلی سلامتی کے خدشات، اضافی توانائی کی اخراجات اور ٹیکس ریفنڈز میں تاخیر کے پیش نظر لیکویڈیٹی بحران وغیرہ شامل ہیں، اضافی افراط زر سود کی شرح میں اضافہ اور پاکستانی روپیہ کی قدر میں کمی کے نتیجے میں درآمدی لاگت میں اضافہ ٹیکسٹائل انڈسٹری کی نمو کو بھی متاثر کر رہا ہے۔ اگر حکومت مذکورہ رکاوٹوں کو دور کرنے یا معمول پر لانے کیلئے مزید سنجیدہ اقدامات کرتی ہے تو پاکستان کی ٹیکسٹائل کی صنعت کو خوشحالی کے راستے پر واپس لایا جاسکتا ہے۔ اللہ تعالیٰ کے فضل سے کمپنی نے 26 دسمبر 2018 سے اپنے ویونگ یونٹ کی پیداوار دوبارہ شروع کر دی تھی۔ پیداوار دوبارہ شروع کرنے کا فیصلہ حکومت کی جانب سے ٹیکسٹائل انڈسٹری کیلئے سبسڈی متعارف کروانے کے اعلان کے بعد لیا گیا جس میں بنیادی طور پر یوٹیلیٹی بلوں میں کمی ہے اور گیس بل پر RLNG کی شرح 6.5 امریکی ڈالر فی MMBTU مقرر کرنا ہے۔ کمپنی کا موقف تھا کہ اس طرح کے فیصلے پر عمل درآمد کمپنی کو قابل قدر پیداواری لاگت کو بچانے کے قابل بنائے گا۔ پیداواری صلاحیت میں بہتری لانے کیلئے مینجمنٹ نے سال کے دوران فیصلہ لیا تھا کہ وہ 20 لومز خرید کر انسٹال کرے گی جس کی وجہ سے پیداواری لاگت میں نمایاں کمی واقع ہوئی۔ کمپنی کو اختتام شدہ سال 30 جون 2019 میں مجموعی منافع 45.344 ملین روپے رہا اور خالص منافع بعد از ٹیکس منافع 0.942 ملین روپے رہا اور اس کے ساتھ منافع 0.019 فی حصص رہا۔

### آپریشنل اور مالی کارکردگی:

کمپنی کو اختتام شدہ سال 30 جون 2019 میں قبل از ٹیکس منافع 3.908 ملین روپے (30 جون 2018 میں 503.362 ملین روپے) ہے۔



**REDCO TEXTILES LIMITED**

ISO 9001 2000 Certified

**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/ her \_\_\_\_\_

Of \_\_\_\_\_

As my/ our proxy to attend and vote for me/ us on my/ our behalf, at the 28<sup>th</sup> Annual General Meeting of the company to be held on 28<sup>th</sup> day of October, 2019 at 10:00 am and at every adjournment thereof.

As witness me/ our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2019

**Affix  
Revenue  
Stamp**

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2019  
(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**  
ISO 9001 2000 Certified

## پراکسی فارم ریڈ کوٹیکسٹائلز لمیٹڈ

لیجر فوئیو نمبر \_\_\_\_\_ اور ریا،

سی۔ ڈی۔ سی شریک کار آئی۔ ڈی نمبر \_\_\_\_\_ سب اکاؤنٹ نمبر \_\_\_\_\_

کمپنی سیکرٹری

ریڈ کوٹیکسٹائلز لمیٹڈ، ریڈ کوآرکائیڈ، 78-E

بلیو ایریا، اسلام آباد۔

میں رہم \_\_\_\_\_ ساکن \_\_\_\_\_

تقرر \_\_\_\_\_

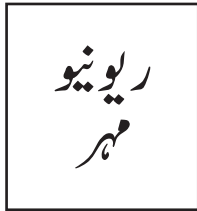
ساکن \_\_\_\_\_

عدم موجودگی رسمت \_\_\_\_\_

ساکن \_\_\_\_\_

کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 28 ویں سالانہ اجلاس عام جو بتاریخ 28 اکتوبر 2019ء بوقت 10:00 بجے صبح منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط بقلم خود \_\_\_\_\_ تاریخ ہذا \_\_\_\_\_ مہینہ \_\_\_\_\_ 2019ء



دستخط \_\_\_\_\_ تاریخ ہذا \_\_\_\_\_ مہینہ \_\_\_\_\_ 2019ء

(مندرجہ بالا دستخط پہلے سے کمپنی کے رجسٹر میں اندراج شدہ دستخط سے مطابقت رکھتے ہوں)

## نوٹ

۱۔ حصہ دار جو اجلاس میں شرکت اور ووٹ کا استحقاق رکھتا ہو کسی دوسرے حصہ دار کو پراکسی ایجنٹ آف کمپنی کے 56 نمبر آرٹیکل کے تحت مقرر کر سکتا ہے، پراکسی دستاویزات موخر ہونے کے لیے اس کا تحریری ہونا، مہر ثبت ہونا، دستخط شدہ ہونا اور گواہوں کا ہونا لازمی ہے

اور یہ اجلاس کے مقرر شدہ وقت سے 48 گھنٹے قبل تک کمپنی کے رجسٹرڈ آفس ریڈ کوآرکائیڈ، 78-E بلیو ایریا، اسلام آباد میں موصول ہو جانا چاہیے

۲۔ وہ پراکسی جوسی ڈی سی کی جانب سے انفرادی فائدہ مند مالک کی طرف سے ہوں وہ پراکسی فارم کے ساتھ فائدہ مند مالک کے تصدیق شدہ کمپوٹرائزڈ قومی شناختی کارڈ کی کاپی یا پاسپورٹ کی کاپی، اکاؤنٹ اور Participants ID نمبر لازمی جمع کروائیں۔

وہ پراکسی جوسی ڈی سی کی جانب سے کارپوریٹ حصہ دار کا نمائندہ ہو وہ بورڈ آف ڈائریکٹرز کی قرارداد اور مختار نامہ اور نامزد فرد کے نمونہ دستخط لازمی طور پر پراکسی فارم کے ساتھ جمع کروائیں۔

پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل کمپوٹرائزڈ قومی شناختی کارڈ دکھانا ضروری ہوگا۔



# REDCO TEXTILES LIMITED

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