



**REDCO
TEXTILES LIMITED**

Annual Report 2011

ISO 9001 Certified

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Company Information

Board of Directors

Ms. Sarah Saif khan
Chief Executive

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

Company Secretary

Mr. Asad Mumtaz Baloch

Auditors

Mushtaq & Co, Chartered Accountants

Audit Committee

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

Registered Office

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

Mills

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



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

VISION

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

To one 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.





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MISSION

To provide **quality** products to customers and explore new marks 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 20TH ANNUALL GENERAL MEETING

Notice is hereby given that 20th 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 31st October 2011 at 09:00 AM** to transact the following business:

Ordinary Business:

- 1) To confirm the minutes of last General Meeting held on 30th October 2010.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30th 2011 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending June 30th 2012 and to fix their remuneration. The present Auditors, M/s Mushtaq & Co, Chartered Accountants, being eligible offer themselves for reappointment.
- 4) To consider any other business with permission of the chair.

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

Islamabad
October 10, 2011

Notes:

- a) The Share Transfer Book of the Company will remain closed from 24th October to 31st October, 2011 (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.

DIRECTOR'S REPORT

Dear Shareholders,

Directors of your company are pleased to present the 20th annual report along with audited Financial Statements and Auditors report thereon for the year ended June 30, 2011. Due to a positive market trend in the sector during the year, coupled with the commitment to increase sale quantities and prices the Company has been able to post an after tax profit of Rs.7.917 Million. Despite the increase in rate of turn over tax from .5% to 1% which has doubled the tax impact on the company. As well as Government imposition of extra surcharge @ 15%.

The year under review has witnessed marked improvement in performance in comparison with previous years, despite the fact that the raw material procurement scenario was very volatile throughout the year. Reason being the adverse effects of excessive monsoon rains damaging large amounts of the cotton crop. A record price of Rs. 14,000/37.324 Kgs was witnessed in the year. Significant improvement in operating results of the company was mainly due to improvement in quality and range of products, optimum capacity utilization, efficient raw material procurements and reduction in Interest expenses.

The company has managed to pay off all its expensive long term loans to banks and implemented the BMR of Rupees.106 millions as planned last year by adding 3 new Latest Auto cone Machines, 01 Simplex Machine, 1 Drawing and also installed compact spinning devices on 40 ring frames. To ensure long term profitability all machinery was procured by sponsors loan as well as the companies funds reinvestment.

Improved profitability and cash flows are conveying a healthy sign to financial institutions over the years due to which banks supports are fully available. The Company has also improved its current ratio 2:1 which illustrates a healthy liquidity position.

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.

Future Prospects:

Worldwide businesses are still recovering from the recession of 2008-2009 and global recession still appears to be having a looming impact on all related industries. Internal issues facing Pakistan cause great concern, volatility in the cotton prices remain once again due to flooding, energy crisis have severely crippled the industry raising the cost of production immensely. The depreciation of the Pakistani Rupee currently is also a negative for the industry.

However, the company has always tried to manoeuvre around the prevailing situations and considers these weaknesses as opportunities to further improve internal working of the units to make them less reliant and less prone to external factors. By thorough strategic planning we aim to further upgrade our unit to reduce our energy costs and labour dependency. Also top priority will be to procure cotton in a timely manner to reap the benefits in our vertically integrated production facility.

Dividend Distribution

The company is following residual dividend policy as this year have done BMR 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 has been no material departure from the best practices of corporate governance as detailed in listing regulations.
7. Key operating financial data for the last five years in summary form is annexed.
8. There are no levies and penalties due as on June 30, 2011.
9. Pattern of shareholding and additional data is annexed.
10. None of directors, CEO, CFO or Company Secretary or their spouses or minor children have traded in the shares of the company during the year.

Board Meetings:

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

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

Audit Committee:

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

Ms. Sarah Saif Khan
Chief Executive

Dated: October 08, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30th JUNE 2011

This statement is being presented to comply with the Code of Corporate Governance contained in listing Regulation No. 37, 43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the board includes a non-executive Director.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, DFI or a NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board during the financial year under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision /Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates of which the dates on which they were approved or amended have been maintained.
7. All the powers of the boards have been duly exercised and decision on the material transactions, including appointment and determination of remuneration and terms and conditions of employees of the CEO and other executive directors, have been taken by the Board.
8. The Meetings of the Board were presided over by the Chairperson and, in his/ her absence, by one of the directors present elected by the Board for this purpose and the Board met at least once in every quarter. Written Notices of the Board Meeting along with the agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. No new orientation course has been arranged during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors report for this year has been prepared in compliance with the requirements of the code and fully describe the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

The Directors, CEO and Executives do not held any interest in the shares of the company other than that disclosed in the pattern of shareholding.

1. The Company has complied with all the corporate and financial reporting of the Code.
2. The Board has formed an audit Committee. It comprises of three members including the Chairman of the Committee, of whom two are non-executive directors.
3. The meetings of the Audit Committee were held prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
4. The board has set up an effective internal audit function who are considerable suitable suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
5. The statutory auditors of the Company have been confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their supposes and minor children do not hold shares of the Company and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
6. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
7. We confirm that all other material principals contained in the code have been substantially complied with.

Place: Islamabad
Date: October 08, 2011

CHIEF EXECUTIVE



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

Member of



Illinois, USA

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email Address: mushtaq_vohra@hotmail.com

REVIEW REPORT TO THE MEMBERS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Redco Textiles Limited** to comply with the Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2011.

Karachi.

Dated: _____

MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Shahabuddin A. Siddiqui

F.C.A



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MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email Address: mushtaq_vohra@hotmail.com



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance sheet of **Redco Textiles Limited** as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi.

Dated: _____

MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Shahabuddin A. Siddiqui

F.C.A

FINANCIAL HIGHLIGHTS

2011	2010	2009	2008	2007	2006
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(Rupees in thousands)

Profit and Loss

Net Sales	2,294,236	1,469,940	1,035,884	1,029,924	740,671	687,778
Gross Profit/(Loss)	58,332	59,607	41,528	6,788	67,229	7,302
Profit/(Loss) Before Taxation	19,898	5,048	(1,954)	(43,627)	471	(33,774)
Profit/(Loss) After Taxation	7,917	7,158	(6,800)	(22,755)	(9,455)	2,340

Cash Outflows

Taxes Paid	2,014	7,145	2,100	4,755	4,088	1,747
Financial Charges Paid	18,899	18,791	30,074	31,946	31,999	26,155
Fixed Capital Expenditures	123,757	18,005	40,884	37,359	173,130	77,572

Balance Sheet

Current Assets	534,231	478,770	537,277	530,320	412,559	368,663
Current Liabilities	269,086	197,882	278,243	298,171	299,063	298,943
Operating Fixed Assets	946,697	869,167	896,020	884,060	961,962	957,167
Total Assets	1,490,252	1,353,623	1,437,836	1,432,764	1,390,436	1,325,829
Long Term Loans and Finances	-	-	3,244	34,127	114,333	258,038
Shareholders Equity	353,277	339,109	325,353	325,247	259,560	258,984

Ratios

Current Ratio	1.99:1	2.4:1	1.89:1	1.78:1	1.38:1	1.23:1
Gross Profit/(Loss) %	2.54	4.05	4.00	0.65	9.00	1.06
Profit/(Loss) Before Taxation %	0.87	0.34	(0.19)	(4.23)	0.06	(4.91)
Earning Per Share %	0.16	0.15	(0.13)	(0.55)	(0.23)	0.06

Production Machines

Number of Air Jet Looms Installed	96	96	96	96	96	72
Number of Spindles Installed	22,500	22,500	22,500	22,500	22,500	16,000

FORM 34
**THE COMPANIES ORDINANCE 1984
 (Section 236(1) and 464)
 PATTERN OF SHAREHOLDING**

 1. Incorporation Number **0025468 (CUIN)**

 2. Name of the Company **Redco Textiles Limited**

 3. Pattern of holding of the shares held by the shareholders as at **30-06-2011**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
4	1	100	400
853	101	500	422600
18	501	1000	18000
11	1001	5000	39900
4	5001	10000	31800
2	10001	15000	25200
1	15001	20000	20000
3	20001	25000	72000
5	45001	50000	244500
1	75001	80000	77900
2	90001	95000	187500
1	95001	100000	100000
1	120001	125000	122800
3	145001	150000	440200
1	165001	170000	167500
2	175001	180000	353300
1	265001	270000	265400
1	290001	295000	294700
1	440001	445000	442300
1	445001	450000	448800
1	470001	475000	470800
1	485001	490000	488200
1	880001	885000	884600
1	930001	935000	933000
1	955001	960000	959000
1	1105001	1110000	1105750
1	1430001	1435000	1432000
1	1525001	1530000	1525600
1	1960001	1965000	1965000
1	8220001	8225000	8223300
1	13365001	13370000	13365400
1	14165001	14170000	14165150
928			49292600

5. Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	28,327,150	57.4673%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	2,929,400	5.9429%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,705,900	5.4895%
5.5 Insurance Companies	1,965,000	3.9864%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10%	35,753,850	72.5339%
5.8 General Public		
a. Local	12,317,750	24.9890%
b. Foreign	4,000	0.0081%
5.9 Others (to be specified)		
Joint Stock Companies	398,100	0.8076%
Investment Companies	645,300	1.3091%



REDCO TEXTILES LIMITED

www.redcogroup.com

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