



Annual Report 2012





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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 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

ISO 9001 2000 Certified

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 21st ANNUALL GENERAL MEETING

Notice is hereby given that 21st 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 **Wednesday 31st October 2012 at 10:00 AM** to transact the following business:

Ordinary Business:

- 1) To confirm the minutes of last General Meeting held on 31st October 2011.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30th 2012 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, 2012

Notes:

- a) The Share Transfer Book of the Company will remain closed from 24th October to 31st October, 2012 (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 take pleasure in presenting the 21st annual report along with Audited Financial Statements and Auditors report thereon for the year ended June 30, 2012. Several factors have contributed to the favourable results, with the main ones being timely modernization of machinery, improved procurement of raw materials and holding of inventory. The company has been able to post an after tax profit of Rs. 32.573 Million with EPS of Rs 0.661.

The year under review was tough with respect to the ongoing and deteriorating position of Gas and Electricity as well as the challenge to liquidate stocks at good prices at the beginning of the year when the prices of cotton were fast decreasing. Even in this situation the company has marked improvement in performance in comparison with previous years and managed to secure a good Gross profit percentage. Significant improvement in operating results of the company was mainly due to improvement in quality, range of products, optimum utilization of resources and effective supply chain management.

The Company managed to keep production costs at almost the same level during the year when the Fuel, Gas and Electricity prices were being revised almost every month and inflation was hitting the double digits mark.

Improved profitability and cash flows are mainly due to the major investments in modernization done last year which has attracted more superior and quality conscious customers towards the company. This has also greatly increased the confidence of financial institutions over the financial position and performance of the company, they have offered their full support in the year and for the future as well. The Company's current ratio has also improved to 2.14:1 which illustrates a healthy liquidity position for future prospects.

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 share holders, our valued customers, suppliers and bankers for their co-operation and continued support.

Future Prospects:

Worldwide businesses are still facing the challenges of survival and global political and financial crises have not settled yet. Internal issues facing Pakistan cause great concern, 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 maneuver the situations in its favour around the prevailing conditions. By thorough strategic planning we aim to further upgrade our unit to reduce labour dependency. Also top priority for this year again will be the procurement of cotton in a timely manner to reap the benefits in our vertically integrated production facility.

We plan to diversify our customer base by improving our product range and as a result plan to invest in further attachments for both lycra and slub production. This will enable us to maneuver our spin plan more flexibly to cope with changes in market demand. The aim is to be a market and customer driven company to reap maximum benefits.

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 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, 2012.
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. Muniza Saif Khan	3
3	Mrs. Taufiq Amanullah Khan	5
4	Mrs. Samina Asad Khan	5
5	Mr. Imran Zia	5
6	Mr. Ahsan ur Rehman Khan	3
7	Mr. Khalid Rehman Khan	3

Audit Committee:

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

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,

Director

Director

Dated: October 06, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30th JUNE 2012

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 NBFIs 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 spouses and minor children do not hold shares of the Company and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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.

Director

Director

Dated: October 06, 2012



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 No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulations No. 35 of 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 system 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.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

Karachi.

Dated: _____

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



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email Address: mushtaq_vohra@hotmail.com

Member of



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Redco Textiles Limited** as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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, 2012 and of the profit, comprehensive profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat 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

2012	2011	2010	2009	2008	2007
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(Rupees in thousands)

Profit and Loss

Net Sales	1,712,919	2,294,236	1,469,940	1,035,884	1,029,924	740,671
Gross Profit/(Loss)	60,134	58,332	59,607	41,528	6,788	67,229
Profit/(Loss) Before Taxation	17,774	19,898	5,048	(1,954)	(43,627)	471
Profit/(Loss) After Taxation	32,574	7,917	7,158	(6,800)	(22,755)	(9,455)

Cash Outflows

Taxes Paid	13,637	2,014	7,145	2,100	4,755	4,088
Financial Charges Paid	17,858	18,899	18,791	30,074	31,946	31,999
Fixed Capital Expenditures	14,809	123,757	18,005	40,884	37,359	173,130

Balance Sheet

Current Assets	595,093	534,231	478,770	537,277	530,320	412,559
Current Liabilities	278,599	269,086	197,882	278,243	298,171	299,063
Operating Fixed Assets	968,760	946,697	869,167	896,020	884,060	961,962
Total Assets	1,568,788	1,490,252	1,353,623	1,437,836	1,432,764	1,390,436
Long Term Loans and Finances		-	-	3,244	34,127	114,333
Shareholders Equity	391,788	353,277	339,109	325,353	325,247	259,560

Ratios

Current Ratio	2.14:1	1.99:1	2.4:1	1.89:1	1.78:1	1.38:1
Gross Profit/(Loss) %	3.51	2.54	4.05	4.00	0.65	9.00
Profit/(Loss) Before Taxation %	1.04	0.87	0.34	(0.19)	(4.23)	0.06
Earning Per Share %	0.66	0.16	0.15	(0.13)	(0.55)	(0.23)

Production Machines

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



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

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

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

3. Pattern of holding of the shares held by the shareholders as at **30-06-2012**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
4	1	100	400
850	101	500	421000
19	501	1000	19000
11	1001	5000	39900
6	5001	10000	48300
2	10001	15000	25200
1	15001	20000	20000
3	20001	25000	68000
6	45001	50000	291500
1	75001	80000	77900
2	90001	95000	187000
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	460001	465000	460300
1	485001	490000	487200
1	880001	885000	884600
1	905001	910000	909500
1	945001	950000	947000
1	1105001	1110000	1105750
1	1420001	1425000	1421600
1	1520001	1525000	1524600
1	1960001	1965000	1965000
1	8220001	8225000	8223300
1	13365001	13370000	13365400
1	14165001	14170000	14165150

929

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	2,894,400	5.8719%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,683,500	5.4440%
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
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2012

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
NIT and ICP (Name Wise):		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MRS. TAUFUQA AMANULLAH KHAN	442,300	0.8973%
2	MRS. MUNEZA SAIF KHAN	176,400	0.3579%
3	MRS. SAMINA ASAD KHAN	176,900	0.3589%
4	MS. SARAH SAIF KHAN	14,165,150	28.7369%
5	MR. ASHAN UR REHMAN	13,365,400	27.1144%
6	MR. KHALID REHMAN KHAN	500	0.0010%
7	MR. IMRAN ZIA	500	0.0010%
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		4,648,500	9.4304%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	MR. SAIF-UR-REHMAN KHAN	8,223,300	16.6826%
2	MS. SARAH SAIF KHAN	14,165,150	28.7369%
3	MR. ASHAN UR REHMAN	13,365,400	27.1144%

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

S.No	NAME	SALE	PURCHASE
NIL			



BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	968,759,577	946,696,947
Long term investment	6	80,220	76,495
Long term deposits and prepayments	7	4,855,940	9,246,840
		<u>973,695,737</u>	<u>956,020,282</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	8	33,430,997	27,100,152
Stock in trade	9	292,714,290	268,655,722
Trade debts	10	168,596,021	152,993,814
Loans and advances	11	49,933,354	59,746,389
Trade deposits and short term prepayments	12	721,337	813,572
Tax refunds due from Government	13	33,913,179	22,550,403
Cash and bank balances	14	15,783,323	2,371,280
		<u>595,092,501</u>	<u>534,231,332</u>
TOTAL ASSETS		<u><u>1,568,788,238</u></u>	<u><u>1,490,251,614</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
50,000,000 (2011: 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
Reserves		25,146	21,421
Accumulated loss		(101,163,375)	(139,670,338)
		<u>391,787,771</u>	<u>353,277,083</u>
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET OF TAX	16	236,730,339	197,181,455
NON CURRENT LIABILITIES			
Long term financing from associated undertakings	17	432,184,624	432,184,624
Long term financing from directors and others	18	214,524,629	214,524,629
Deferred liabilities	19	14,961,538	23,997,372
		<u>661,670,791</u>	<u>670,706,626</u>
CURRENT LIABILITIES			
Trade and other payables	20	151,868,793	187,847,799
Accrued mark up / interest	21	4,285,121	3,268,502
Short term borrowings	22	85,000,748	77,970,147
Current portion of long term financing from associated undertakings	17	37,444,675	-
		<u>278,599,337</u>	<u>269,086,448</u>
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		<u><u>1,568,788,238</u></u>	<u><u>1,490,251,614</u></u>

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

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.



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

	Note	2012 Rupees	2011 Rupees
Sales - net	24	1,712,919,359	2,294,236,495
Cost of sales	25	1,652,784,899	2,235,904,794
Gross profit		60,134,460	58,331,701
Distribution cost	26	5,407,758	4,045,207
Administrative expenses	27	13,595,431	12,775,310
Other operating expenses	28	4,494,284	2,546,376
		23,497,473	19,366,893
Operating profit		36,636,987	38,964,808
Other operating income	29	11,241	3,855
		36,648,228	38,968,663
Finance cost	30	(18,874,131)	(19,070,414)
Profit before taxation		17,774,097	19,898,249
Taxation	31	14,799,711	(11,980,879)
Profit for the year		32,573,808	7,917,370
Earnings per share - basic and diluted	32	0.661	0.161

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

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Profit for the period		32,573,808	7,917,370
Other comprehensive income:			
Available for sale financial assets			
Gain arised during the period		3,725	5,650
		3,725	5,650
Total comprehensive income for the year		32,577,533	7,923,020

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

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.



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

	Share capital	Reserves	Accumulated loss	Total equity
		Unrealized gain / loss on available for sale investment		
Note	Rupees			
Balance as at June 30, 2010	492,926,000	15,771	(153,833,133)	339,108,638
Total comprehensive income for the year	-	5,650	7,917,369	7,923,019
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	6,245,426	6,245,426
Balance as at June 30, 2011	492,926,000	21,421	(139,670,338)	353,277,083
Total comprehensive income for the year	-	3,725	32,573,808	32,577,533
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	5,933,155	5,933,155
Balance as at June 30, 2012	492,926,000	25,146	(101,163,375)	391,787,771

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

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,774,097	19,898,249
Adjustments for :		
Depreciation	49,284,436	46,227,479
Provision for staff retirement benefits - gratuity	2,572,534	2,396,669
Provision for workers' profit participation fund	936,873	1,047,276
Finance cost	18,874,131	19,070,414
	71,667,974	68,741,838
Operating profit before working capital changes	89,442,071	88,640,087
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(6,330,845)	(2,555,889)
Stock in trade	(24,058,568)	(58,012,367)
Trade debts	(15,602,207)	(2,641,202)
Short term prepayments	9,905,269	(13,311,897)
Increase / (decrease) in current liabilities		
Trade and other payables	(36,915,879)	74,287,353
	(73,002,230)	(2,234,002)
Cash generated from operations	16,439,841	86,406,085
Staff retirement benefits paid	(5,590,376)	(3,212,664)
Finance cost paid	(17,857,512)	(18,898,966)
Sales tax income taxes paid - net	(13,636,773)	(2,014,358)
	(37,084,661)	(24,125,988)
Net cash generated from operating activities	(20,644,820)	62,280,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment - acquired	(14,809,313)	(123,757,298)
Long term deposits	4,390,900	(3,632,000)
Net cash used in investing activities	(10,418,413)	(127,389,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from associated undertakings - unsecured	-	2,950,733
Long term loans from directors	-	64,577,530
Short term borrowings - net	7,030,601	23,682
Liabilities against assets subject to finance lease - paid	-	(4,325,418)
Current portion of long term loans from associated undertakings	37,444,675	-
Net cash from / (used in) financing activities	44,475,276	63,226,528
Net cash (decrease) / increase during the year	13,412,043	(1,882,673)
Cash and cash equivalents at the beginning of the year	2,371,280	4,253,953
Cash and cash equivalents at the end of the year	15,783,323	2,371,280

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

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.



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

1 STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

2.2 Functional and presentation currency

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

2.3 Standards, interpretations and amendments to published approved accounting standards that have been or are not yet effective:

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

- ❑ IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has only resulted in additional disclosures with respect to financial Instruments.
- ❑ IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Since the company currently does not have any items of other comprehensive income, the amendments do not affect the Company's financial statements.
- ❑ IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- ❑ IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

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

- ❑ IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.



- ❑ IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. the standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ❑ IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. proportional consolidation of joint ventures is no longer allowed. the company will apply this standard from April 01, 2013.
- ❑ IFRS 12, 'Disclosures of interests in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.
- ❑ IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. the standard is not applicable until April 01, 2013 but is available for early adoption.
- ❑ IAS 1, 'Financial statement presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI.
- ❑ IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- ❑ IAS 19, 'Employee Benefits' (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until April 01, 2013 but is available for early adoption.
- ❑ Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. the amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement.
- ❑ Offsetting of financial assets and financial liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- ❑ Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013. The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand by equipment and servicing equipment.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to accounting for income taxes relating to distribution to holders of an equity instrument and transaction costs of an equity transaction.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

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

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

3 BASIS OF MEASUREMENT

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

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

3.1 Income Taxes

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

3.2 Property, Plant & Equipment

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

3.3 Stores & Spares

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

3.4 Defined Benefits Plan

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

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

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

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

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

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

4.2 Impairment losses

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

4.3 Long term investments

Investment available for sale

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

4.4 Stores, spares and loose tools

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

4.5 Stock in trade

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

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

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

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

4.6 Trade debtors

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

4.7 Other receivables

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

4.8 Cash and bank balances

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

4.9 Staff retirement benefits

The Company operates contributory unfunded gratuity scheme for its officers and employees. Provision for gratuity is made on the basis of last drawn salary for each completed year of service. Minimum qualifying period for gratuity benefit is one year from the date of joining. Contributions made are based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2012 using the Projected Unit Credit method (note 23). Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for the plan exceed 10% of the higher of defined obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

4.10 Taxation

Current

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

Deferred

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

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

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

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

4.11 Trade and other payables

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

4.12 Provisions

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

4.13 Revenue recognition

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

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

Local sales are recognized on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

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

Interest income is recognized as revenue on time proportion basis.

4.14 Borrowing cost

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

4.15 Cash and cash equivalents

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

4.16 Related party transactions

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

4.17 Dividend and apportioning to reserves

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

4.18 Financial instruments

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Foreign currency translation

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



5 PROPERTY, PLANT AND EQUIPMENT

		Note	2012 Rupees	2011 Rupees
	Operating fixed assets	5.1	<u>968,759,577</u>	<u>946,696,947</u>

5.1 Operating fixed assets

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

PARTICULARS	COST / REVALUATION				As at June 30, 2011	Rate %	DEPRECIATION				BOOK VALUE	
	As at July 1, 2010	Additions / Adjustments	Deletion/ Transfer	Addition due to surplus revaluation			As at July 1, 2010	For the year	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2011	As at June 30, 2011
OWNED ASSETS												
Freehold land	99,600,000	-	-	-	99,600,000	-	-	-	-	-	-	99,600,000
Building on free hold land	184,620,576	-	-	-	184,620,576	5%	70,098,034	5,726,127	-	-	75,824,161	108,796,414
Plant and machinery	778,631,811	116,602,028	57,800,000	-	953,033,839	5%	277,652,538	29,529,463	13,441,542	-	320,623,543	632,410,296
Generators	87,536,168	-	-	-	87,536,168	5%	15,304,243	3,611,596	-	-	18,915,839	68,620,329
Tools and equipment	22,785,122	-	-	-	22,785,122	5%	7,934,521	742,530	-	-	8,677,051	14,108,071
Tools	52,297,039	7,094,870	-	-	59,391,909	33%	37,359,680	5,904,627	-	-	43,264,307	16,127,602
Vehicles	8,150,937	-	-	-	8,150,937	20%	5,972,971	435,593	-	-	6,408,564	1,742,373
Furniture & fixtures	2,137,081	10,000	-	-	2,147,081	5%	847,269	64,919	-	-	912,188	1,234,893
Office equipment	3,808,005	50,400	-	-	3,858,405	5%	1,365,521	123,788	-	-	1,489,309	2,369,096
Laboratory equipment	6,028,249	-	-	-	6,028,249	5%	4,251,540	88,835	-	-	4,340,375	1,687,874
Total	1,245,594,988	123,757,298	57,800,000	-	1,427,152,285		420,786,317	46,227,479	13,441,542	-	480,455,338	946,696,947

ASSETS SUBJECT TO FINANCE LEASE

Plant and machinery	57,800,000	-	(57,800,000)	-	-	5%	13,441,542	-	(13,441,542)	-	-	-
TOTAL 2011	1,303,394,988	123,757,298	-	-	1,427,152,285		434,227,859	46,227,479	-	480,455,338	946,696,947	

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

	Note	2012 Rupees	2011 Rupees
5.3 Depreciation has been allocated as follows			
Cost of sales	25	48,671,367	45,514,343
Administrative expenses	27	613,069	713,136
		<u>49,284,436</u>	<u>46,227,479</u>



REDCO TEXTILES LIMITED

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		2012 Rupees	2011 Rupees
6 LONG TERM INVESTMENT	Note		
Available for sale - quoted company		<u>80,220</u>	<u>76,495</u>
6.1 This represents the investment in 500 (June 30, 2011 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at June 30, 2012 is Rs.160.44(June 30, 2011 : Rs. 152.99) per share.			
7 LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits :			
WAPDA		2,620,940	2,620,940
SNGPL		545,900	4,936,800
Cash margin		1,661,600	1,661,600
Others		27,500	27,500
		<u>4,855,940</u>	<u>9,246,840</u>
8 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		22,877,523	16,462,165
Spares parts		5,895,990	6,611,696
Packing material		4,635,146	4,013,155
Loose tools		22,338	13,136
		<u>33,430,997</u>	<u>27,100,152</u>
9 STOCK IN TRADE			
Raw material	9.1	92,385,808	41,228,382
Work in process		40,494,149	35,285,309
Finished goods	9.1	124,725,046	178,639,154
Waste		35,109,287	13,502,877
		<u>292,714,290</u>	<u>268,655,722</u>
9.1 These include stocks amounting to Rs. 36.444 million (June 30, 2011 : Rs. 41.206 million) and amounting to Rs. 21.540 million (June 30, 2011 : Rs. 8.6 million) pledged with NIB Bank Limited (formerly PICIC Commercial Bank Limited) and Bank Alfalah against short term borrowings respectively.			
10 TRADE DEBTS	Note	2012 Rupees	2011 Rupees
Secured			
Considered good		902,653	-
Unsecured - considered good			
Considered good		167,693,368	152,993,814
Considered doubtful		6,282,610	6,282,610
		<u>174,878,631</u>	<u>159,276,424</u>
Less: Provision for doubtful debts		(6,282,610)	(6,282,610)
		<u>168,596,021</u>	<u>152,993,814</u>
11 LOANS AND ADVANCES			
Unsecured - considered good			
Advances to:			
Suppliers		45,516,210	55,604,648
Employees	11.1	4,417,144	4,141,741
		<u>49,933,354</u>	<u>59,746,389</u>



		2012 Rupees	2011 Rupees
11.1 Employees - unsecured	Note		
Considered good		4,417,144	4,141,741
Considered doubtful		5,266,941	5,266,941
		9,684,085	9,408,682
Less: Provision for doubtful advances to employees		(5,266,941)	(5,266,941)
		<u>4,417,144</u>	<u>4,141,741</u>
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Short term prepayments		721,337	813,572
		<u>721,337</u>	<u>813,572</u>
13 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable		28,637,041	25,942,872
Advance income tax	13.1	5,276,138	(3,392,469)
		<u>33,913,179</u>	<u>22,550,403</u>
13.1 Advance income tax			
Opening balance		(3,392,469)	8,762,592
Add: Payment / adjustment during the year		10,942,601	11,919,179
Add: Tax credit claimed		14,936,453	-
		<u>22,486,585</u>	<u>20,681,771</u>
Adjusted against provision for the year		(17,210,447)	(24,074,240)
Closing balance		<u>5,276,138</u>	<u>(3,392,469)</u>



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14 CASH AND BANK BALANCES	Note	2012 Rupees	2011 Rupees
Cash in hand		327,270	12,634
Cash with banks in :			
- Current accounts		15,446,310	2,356,845
- Saving accounts	14.1	9,743	1,801
		15,456,053	2,358,646
		<u>15,783,323</u>	<u>2,371,280</u>

14.1 It carries rate of return ranging from 7% to 9% (June 30, 2011 : 7% to 9%) per annum.

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011	2012	2011
Number of shares	Number of shares	Rupees	Rupees
49,292,600	49,292,600	492,926,000	492,926,000
	Ordinary shares of 10 each fully paid in cash		

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	2012 Rupees	2011 Rupees
Opening balance - gross		261,076,965	270,685,313
Add: Surplus arised during the year		56,537,752	-
		<u>317,614,717</u>	<u>270,685,313</u>
Less: Transferred to equity in respect of:			
Incremental depreciation on revalued assets		5,933,155	6,245,426
Related deferred tax liability		3,194,776	3,362,922
		9,127,931	9,608,348
Closing balance - gross		308,486,786	261,076,965
Less: Related deferred tax liability			
Revaluation at the beginning of the year		63,895,510	67,258,432
Related deferred tax liability on addition to surplus		11,055,713	-
Amount realized during the year on account of incremental depreciation		(3,194,776)	(3,362,922)
		71,756,447	63,895,510
Closing balance - net of tax		<u>236,730,339</u>	<u>197,181,455</u>

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

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

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	2012 Rupees	2011 Rupees
Free hold land	21,081,636	21,081,636
Building on free hold land	73,923,126	77,813,816
Plant and machinery	461,519,574	485,810,078
Generators	60,802,577	63,644,545
	<u>617,326,913</u>	<u>648,350,075</u>



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17 LONG TERM FINANCING FROM ASSOCIATED UNDERTAKINGS	Note	2012 Rupees	2011 Rupees
Unsecured			
Redco Pakistan Limited		363,519,834	326,075,159
Royal Holding		106,109,465	106,109,465
		469,629,299	432,184,624
Current portion shown under current liabilities		(37,444,675)	-
		<u>432,184,624</u>	<u>432,184,624</u>

17.1 These represent interest free, unsecured loan from associated undertaking on long term basis. The amount is not payable before June 30, 2013 except Rs. 37,444,675 million (June 30, 2011: Nil) as disclosed above.

17.2 Out the above balance amount of Rs. 414.766 million (June 30 2011: Rs. 414.766 million) have been subordinated to NIB Bank and Bank Al-Falah Limited.

18 LONG TERM FINANCING FROM DIRECTORS AND OTHERS	Note	2012 Rupees	2011 Rupees
Unsecured			
Sponsor			
Saif-ur-Rehman Khan		202,807,028	202,807,028
Chief Executive			
Ms. Sarah Saif Khan		4,592,570	4,592,570
Directors			
Ahsan-ur- Rehman Khan		3,525,031	3,525,031
Mrs. Tufiqqa Amanullah Khan		3,600,000	3,600,000
		7,125,031	7,125,031
		<u>214,524,629</u>	<u>214,524,629</u>

18.1 These represent interest free loans from directors / sponsors, which have been utilized for the import of machinery as well as for meeting the working capital requirements. The amount is not payable before June 30, 2013.

18.2 Out of the above balance amount of Rs. 149.947 million (June 30 2011: Rs. 149.947 million) has been subordinated to NIB Bank and Bank Al-Falah Limited.

18.3 The maximum aggregate amount due to chief executive and directors at the end of any month during the year was Rs. 11,651,161 (June 30, 2011: Rs. 12,405,601).

19 DEFERRED LIABILITIES	Note	2012 Rupees	2011 Rupees
Staff retirement benefits - gratuity	19.1	1,172,264	4,190,106
Deferred taxation	19.9	13,789,274	19,807,266
		<u>14,961,538</u>	<u>23,997,372</u>

19.1 Staff retirement benefits - gratuity

Opening balance		4,190,106	5,006,101
Add: Provision for the year	19.6	2,572,534	2,396,669
		6,762,640	7,402,770
Less: Paid during the year		5,590,376	3,212,664
Closing balance		<u>1,172,264</u>	<u>4,190,106</u>

19.2 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, 2012, using Projected Unit Credit Method.



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	Note	2012 Rupees	2011 Rupees
19.3 Principal actuarial assumptions			
Following are a few important actuarial assumptions used in the valuation:			
		%	%
Discount rate		13	12
Expected rate of increase in salary		10	11
		Years	Years
Average expected remaining working life time of the employees		12	12
19.4 Reconciliation			
Present value of defined benefit obligation as at year end		7,706,049	5,322,265
Net actuarial loss to be recognized in later periods		(6,533,785)	(1,132,159)
		<u>1,172,264</u>	<u>4,190,106</u>
19.5 Movement in present value of defined benefit obligation			
Present value of defined benefit obligation -Opening balance		5,322,265	6,184,957
Current service cost		1,848,684	1,607,777
Interest cost		673,856	742,195
Benefits paid during the period		(5,590,376)	(3,212,664)
Actuarial gain arising during the year		5,451,621	-
Closing balance		<u>7,706,049</u>	<u>5,322,265</u>
19.6 Charge for the year			
Current service cost		1,848,684	1,607,777
Interest cost		673,856	742,195
Actuarial loss charge		49,994	46,697
		<u>2,572,534</u>	<u>2,396,669</u>
19.7 Changes in actuarial gain / (loss)			
Unrecognized actuarial (loss) / gain at the beginning		(1,132,159)	(1,178,856)
Actuarial loss arised during the year		(5,451,621)	-
Actuarial loss / (gain) charged to profit and loss		49,994	46,697
Unrecognized actuarial loss) as at year end		<u>(6,533,785)</u>	<u>(1,132,159)</u>
19.8 Expected gratuity expenses for the year ended June 30, 2013 works out Rs. 3,002,804.			
19.9 Deferred taxation			
Opening balance		19,807,266	29,018,543
Add: Provided on surplus during the year		11,055,713	-
Less: Reversed during the year		(17,073,705)	(9,211,277)
		<u>13,789,274</u>	<u>19,807,266</u>
Deferred tax liabilities / (assets) arising due to taxable /(deductible) temporary differences are as follows:			
	Note	2012 Rupees	2011 Rupees
Accelerated tax depreciation		126,207,132	96,700,784
Surplus on revaluation of property, plant and equipment		71,756,447	63,895,510
Staff retirement benefits - gratuity		(410,292)	(1,466,537)
Provision for doubtful debts / advances		(4,042,343)	(4,042,344)
Turnover tax		(43,257,748)	(23,370,516)
Brought forward losses		(136,463,922)	(111,909,631)
		<u>13,789,274</u>	<u>19,807,266</u>
Tax rate used		<u>35%</u>	<u>35%</u>
20 TRADE AND OTHER PAYABLES			
Creditors		100,097,707	131,038,188
Accrued liabilities		30,649,108	19,550,381
Advances from customers		8,649,411	17,137,507
Withholding tax payable - prior years		9,711,700	8,412,473
Withholding tax payable - current year		1,708,928	9,299,627
Workers' profit participation fund	20.1	936,873	2,294,557
Workers' welfare fund	20.2	115,066	115,066
		<u>151,868,793</u>	<u>187,847,799</u>

20.1 Workers' profit participation fund	Note	2012 Rupees	2011 Rupees
Opening balance		2,294,557	1,084,592
Provision for the year		936,873	1,047,276
Less: Payment during the year		(2,455,176)	-
		776,254	2,131,868
Add: Interest for the year at the rate of 14% (2011: 15%) percent per annum		160,619	162,689
		936,873	2,294,557

20.1.1 The Company retains the allocation to this fund for its business operations till the amounts are paid to the employees.

21 ACCRUED MARK UP / INTEREST

Mark up / interest accrued on :

Short term borrowings - NIB Bank Limited		1,520,129	2,416,122
Short term borrowings - Bank Al - Falah Limited		2,764,992	852,380
		4,285,121	3,268,502

22 SHORT TERM BORROWINGS

Cash Finance I	22.1	13,637,311	15,000,000
Cash Finance II	22.2	31,757,687	36,069,892
Cash Finance III	22.3	18,065,431	19,988,255
Cash Finance IV	22.4	21,540,319	6,912,000
		85,000,748	77,970,147

22.1 This facility is availed from NIB Bank Limited (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs. 15 million. This facility is secured against lien on instruments (cheques) for IBP, first parri passu charge of Rs.300 million on fixed assets of the company including land, building and machinery and personal guarantee of the sponsors and directors of the company. This facility carries markup at last 7 day's average 3 month KIBOR plus 4.5% per annum (2011: Three months KIBOR plus 4.5% per annum) and up front commission of 0.25% (2011: 0.25 %) (maximum tenor 30 days (2011: 30 days).

22.2 This facility is availed from NIB Bank (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs. 75 million (2011: Rs.75 million) to finance cotton, yarn and fabric with a ratio of 50:10:15 (2011 : 50:10:15) respectively. This facility is secured against hypothecation charge of Rs. 60 million on current assets of the company and 1st parri passu charge of Rs.300 million on fixed assets of the Company including land, building and machinery, pledge of cotton bales, yarn and fabric on market value, or landed cost whichever is less with 10% margin and personal guarantee of the sponsors and directors. It carries markup at last 7 day's average 3 months KIBOR plus 3% (2011: 3 months KIBOR plus 3%) per annum.

22.3 This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 20 million (2011: Rs. 20 million). This facility is secured against first parri passu charge of Rs. 40 million (2011: 40 million) on current assets of the company, first pari passu charge of Rs. 130 million (2011: 130 million) on fixed assets of the company, and personal guarantee of all directors of the company. This facility carry markup at 6 months KIBOR plus 3% (2011 : 6 months KIBOR plus 3%) per annum.

22.4 This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 150 million (2011: Rs 150 million). This facility is secured against pledge of cotton on market value with 20% margin over KCA rates. It carries markup at 6 months KIBOR plus 3% (2011 : 6 months KIBOR plus 3%) per annum.

22.5 The above facilities will expire on various dates by December 31, 2012.

23 CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

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

23.2 COMMITMENTS

There are no outstanding commitments related to letter of credit at the end of the year.



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	Note	2012 Rupees	2011 Rupees
24 SALES - Net			
Export			
- Fabric		45,566,286	-
Local			
- Yarn		473,840,337	733,084,876
- Fabric		1,162,782,707	1,508,898,904
		1,636,623,044	2,241,983,780
Waste sale		38,855,396	64,530,250
		1,721,044,726	2,306,514,029
Commission		(8,125,367)	(12,277,534)
		<u>1,712,919,359</u>	<u>2,294,236,495</u>
25 COST OF SALES			
Raw material consumed	25.1	1,205,029,101	1,894,296,456
Packing material consumed	25.2	17,452,882	13,393,815
Stores and spare parts and loose tools consumed	25.3	53,120,960	53,697,116
Fuel and power		153,138,353	146,029,421
Salaries, wages and other benefits	25.4	116,701,281	115,745,044
Repairs and maintenance		1,864,684	1,950,739
Depreciation	5.3	48,671,367	45,514,343
Other expenses		8,101,003	7,286,959
Cost of manufacturing		1,604,079,631	2,277,913,893
Work in process:			
Opening		35,285,309	29,119,387
Closing		(40,494,149)	(35,285,309)
		(5,208,840)	(6,165,922)
Cost of goods manufactured		<u>1,598,870,791</u>	<u>2,271,747,971</u>
Finished goods:			
Opening		178,639,154	142,795,978
Closing		(124,725,046)	(178,639,154)
		53,914,108	(35,843,176)
		<u>1,652,784,899</u>	<u>2,235,904,795</u>
25.1 Raw material consumed			
Opening		54,731,259	38,727,990
Add: Purchases during the year		1,277,792,937	1,910,299,725
		1,332,524,196	1,949,027,715
Closing stock	25.1.1	(127,495,095)	(54,731,259)
		<u>1,205,029,101</u>	<u>1,894,296,456</u>
25.1.1 This includes usable waste stock of Rs. 35,109,287 (June 30, 2011: Rs. 13,502,877).			
25.2 Packing material consumed			
Opening stock		4,013,155	3,156,494
Add: Purchases during the year		18,074,873	14,250,476
		22,088,028	17,406,970
Closing stock		(4,635,146)	(4,013,155)
		<u>17,452,882</u>	<u>13,393,815</u>
25.3 Store, spare parts and loose tools consumed			
Opening stock		23,086,997	21,387,768
Add: Purchases during the year		58,829,814	55,396,345
		81,916,811	76,784,113
Closing stock		(28,795,851)	(23,086,997)
		<u>53,120,960</u>	<u>53,697,116</u>
25.4 Salaries, wages and other benefits includes Rs. 2,572,534 (June 30, 2011: Rs.2,396,669) in respect of staff retirement benefits - gratuity.			



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	Note	2012 Rupees	2011 Rupees
26 Distribution cost			
Salaries and other benefits		2,630,184	2,358,619
Local taxes, carriage and freight		269,900	453,650
Postage, telephone and telegraph		112,215	160,879
Traveling and conveyance		1,107,722	1,072,059
Other selling expenses		1,287,737	-
		<u>5,407,758</u>	<u>4,045,207</u>
27 ADMINISTRATIVE EXPENSES			
Salaries and other benefits		8,019,756	5,528,050
Traveling and conveyance		886,391	849,054
Entertainment		223,433	255,659
Communication		642,682	464,815
Printing and stationery		310,963	250,983
Vehicle running and maintenance		289,695	387,591
Fee and subscription		505,851	487,094
Repair and maintenance		41,480	246,854
Depreciation	5.3	613,069	713,136
Others		2,062,111	3,592,074
		<u>13,595,431</u>	<u>12,775,310</u>

27.1 Remuneration of Chief Executive, Directors and Executives

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

	2012			2011		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees			Rupees		
Managerial Remuneration	-	-	3,465,000	-	-	2,520,000
	<u>-</u>	<u>-</u>	<u>3,465,000</u>	<u>-</u>	<u>-</u>	<u>2,520,000</u>
Number of Persons	1	6	5	1	6	4

27.1.1 No remuneration and benefit is provided to the chief executive, by the Company (2011: Nil).

27.1.2 No fee or remuneration was paid to the directors of the company (2011 : Nil).

	Note	2012 Rupees	2011 Rupees
28 OTHER OPERATING EXPENSES			
Legal and professional		2,793,301	929,100
Auditors' remuneration			
Audit fee		500,000	500,000
Fee for certification including half yearly review		77,000	70,000
		<u>577,000</u>	<u>570,000</u>
Exchange loss on export sales		187,110	-
Workers' profit participation fund		936,873	1,047,276
Workers' welfare fund	28.1	-	-
		<u>4,494,284</u>	<u>2,546,376</u>

28.1 Honorable High Court in writ petition bearing number W.P. No. 8763/2011 has decided that the amendment made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful. Therefore, no provision for workers welfare fund has been made in the financial statements.

	Note	2012 Rupees	2011 Rupees
29 OTHER OPERATING INCOME			
From financial assets			
Dividend		3,500	-
Profit on bank deposits		7,741	3,855
		<u>11,241</u>	<u>3,855</u>



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30 FINANCE COST	Note	2012 Rupees	2011 Rupees
Mark up / interest on :			
Liabilities against assets subject to finance lease		-	971,724
Short term borrowings		15,973,368	14,925,070
Workers' profit participation fund		160,619	162,689
Bank charges and commission		2,740,144	3,010,931
		18,874,131	19,070,414

31 TAXATION		2012 Rupees	2011 Rupees
Current			
Current year		17,210,447	24,074,240
Prior year		-	(2,882,084)
Tax credit claimed		(14,936,453)	-
		2,273,994	21,192,156
Deferred		(17,073,705)	(9,211,277)
		(14,799,711)	11,980,879

31.1 The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the universal self assessment scheme of Income Tax Ordinance, 2001. Income tax assessment has been finalized up to June 30, 2011.

31.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

32 EARNINGS PER SHARE - BASIC AND DILUTED	Note	2012 Rupees	2011 Rupees
Profit for the year		32,573,808	7,917,370
		Numbers	Numbers
Weighted average number of ordinary shares outstanding during the year		49,292,600	49,292,600
		Rupees	Rupees
Earnings per share - basic		0.6608	0.1606

There is no dilutive effect on the basic earnings per share of the company.

33 TRANSACTIONS WITH RELATED PARTIES

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

Associated companies	Nature of transactions	2012 Rupees	2011 Rupees
Redco Pakistan Limited	Inter company advance / loan	37,444,675	2,950,733
Associated person			
Sponsors	Receipt of long term loan	-	65,077,530
Chief Executive	repayment of long term loan	-	(500,000)

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

34 CORRESPONDING FIGURES

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

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. 193.652 millions (June 30, 2011 : 168.754 millions), financial assets which are subject to credit risk aggregate to Rs. 180.324 million (June 30, 2011 : Rs. 166.382 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.

	2012 Rupees	2011 Rupees
Long term deposits	4,855,940	9,246,840
Trade debts	168,596,021	152,993,814
Loan and advances	4,417,144	4,141,741
Cash and bank balances	15,783,323	2,371,280
	<u>193,652,428</u>	<u>168,753,675</u>

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

	2012 Rupees	2011 Rupees
Yarn	40,226,015	28,225,036
Fabric	129,878,498	120,042,459
Waste	946,684	4,726,318
	<u>171,051,197</u>	<u>152,993,813</u>

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

	Gross debtors	
	2012	2011
	Rupees	
Not past due	142,770,277	128,232,397
Past due 90 days - 1 year	6,665,972	11,373,809
More than one year	27,897,557	19,670,217
	<u>177,333,806</u>	<u>159,276,423</u>
Impairment	(6,282,610)	(6,282,610)
	<u>171,051,197</u>	<u>152,993,813</u>

35.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

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



REDCO TEXTILES LIMITED

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	2011						
	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 associated undertakings	432,184,624	432,184,624	-	-	-	432,184,624	-
Long term financing from directors and others	214,524,629	214,524,629	-	-	-	214,524,629	-
Accrued mark up / interest	3,268,502	3,268,502	3,268,502	-	-	-	-
Trade and other payables	187,847,799	187,847,799	187,847,799	-	-	-	-
Short term borrowings	77,970,147	84,207,759	84,207,759	-	-	-	-
	915,795,702	922,033,313	275,324,060	-	-	646,709,254	-

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

35.3 Market risk

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

35.3.1 Currency risk

Exposure to currency risk

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

	US Dollars	Rupees
Trade debts 2012	9,578	902,653
Trade debts 2011	-	-

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2012	2011	2012	2011
US Dollar to Rupee	90.68	85.38	94.00	87.35

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have no effect on equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposite effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2012 Rupees	2011 Rupees
US Dollar	(45,133)	-

35.3.2 Interest rate risk

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

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	9,743	1,801
Financial liabilities	85,000,748	77,970,147

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, 2011.

	Profit and loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2012	850,007	(850,007)	-	-
Cash flow sensitivity - variable rate instruments 2011	779,701	(779,701)	-	-

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.

	2012 Rupees	2011 Rupees
35.5 Off balance sheet items		
Bank guarantees issued in ordinary course of business	<u>17,233,000</u>	<u>17,233,000</u>

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

36 CAPITAL RISK MANAGEMENT

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

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

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

		2012	2011
Borrowings	Rupees	731,710,001	724,679,401
Total equity	Rupees	1,123,497,772	1,077,956,484
Total capital employed	Rupees	<u>1,855,207,773</u>	<u>1,802,635,884</u>
Gearing ratio	Percentage	<u>39.44</u>	<u>40.20</u>

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.

	2012	2011
Spinning		
Number of spindles installed	22,500	22,500
Installed capacity at 20's counts based on 1080 shifts - lbs.	15,156,000	15,156,000
Capacity utilized	80%	80%
Actual production of yarn - lbs.	11,258,400	11,425,600
Actual production converted into 20's count - lbs.	10,475,075	12,123,400
Number of shifts worked per day	3	3
Number of shifts worked	864	905
Weaving		
Number of looms installed	96	96
Installed capacity at 60 picks - meters	11,520,000	11,520,000
Capacity utilized	83%	83%
Actual production of cloth - meters	9,683,113	10,694,248
Actual production of cloth converted at 60 picks at 100% efficiency - meters	8,524,779	9,609,385
Number of shifts per day	3	3
Number of shifts worked	864	905

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on October, 06, 2012

39 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR

DIRECTOR

As the Chief Executive is out of country, these financial statements have been signed by two directors of the Company as required under the provisions of section 241 (2) of the Companies Ordinance, 1984.



**FORM OF PROXY
REDCO TEXTILES LIMITED**

Ledger folio no. _____

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

I/ We _____ of _____

Appoint _____

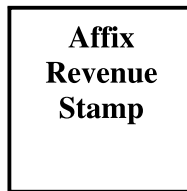
Of _____

Failing him/ he _____

Of _____

As my/ our proxy to attend and vote for me/ us on my/ our behalf, at the 21st Annual General Meeting of the company to be held on 31st day of October, 2012 at 10:00 am and at every adjournment thereof.

As witness me/ our hand(s) this _____ day of _____ 2012

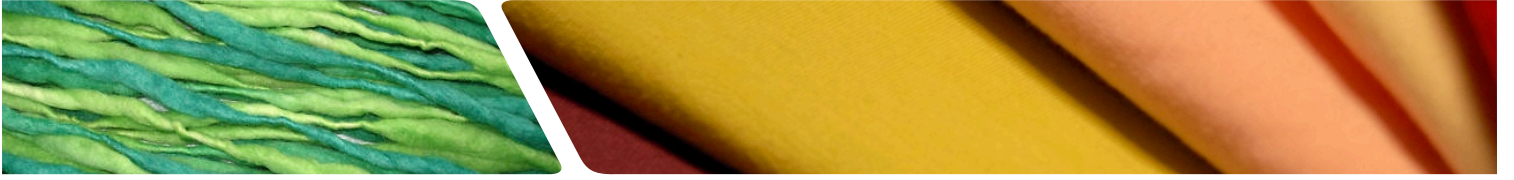


Signed _____ day of _____ 2012
(Signature appended above should agree with the specimen signatures registered with the company)

NOTE:

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.





REDCO TEXTILES LIMITED

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