



Annual Report 2014



**REDCO  
TEXTILES LIMITED**

ISO 9001 Certified

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## Company Information

### Board of Directors

Ms. Sarah Saif Khan  
Chief Executive

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

### Chief Financial Officer / Company Secretary

Mr. Asad Mumtaz Baloch

### Auditors

Mushtaq & Co, Chartered Accountants

### Audit Committee

Mrs. Taufiqa Amanullah Khan	Chairperson
Mrs. Muniza Saif Khan	Member
Mrs. Samina Asad	Member
Mr. Imran Zia	Member

### HR and Remuneration Committee

Ms. Sarah Saif Khan	Chairperson
Mrs. Samina Asad	Member
Mr. Imran Zia	Member

### Registered Office

Redco Textiles Limited, Redco Arcade, 78-E, Blue Area, Islamabad 4400, Pakistan.  
Tel: (+92-51) 2344252-5 Fax: (+92-51) 2344256 E-mail: sales@redcogroup.com

### Mills

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



## VISION

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

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

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





**REDCO TEXTILES LIMITED**

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## MISSION

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

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





**NOTICE OF 23<sup>rd</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that 23<sup>rd</sup> Annual General Meeting of the members of Redco Textiles Limited will be held at its Registered Office at Redco Arcade, 78-E, Blue Area, Islamabad on **Friday 31<sup>st</sup> October 2014 at 11:30 AM** to transact the following business:

**Ordinary Business:**

- 1) To confirm the minutes of last extra ordinary General Meeting held on 13<sup>th</sup> February 2014.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30<sup>th</sup> 2014 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending June 30<sup>th</sup> 2015 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, 2014

**Notes:**

- a) The Share Transfer Book of the Company will remain closed from 24<sup>th</sup> October to 31<sup>st</sup> October, 2014 (both days inclusive).
- b) A member entitled to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote.
- c) The proxy to be valid must be in writing and received at the registered office of the company not later than 48 hours before the time of meeting and must be stamped, signed and witnessed.
- d) Members are requested to notify the Company regarding change in their addresses, if any.
- e) CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number, for identification purpose.

## DIRECTOR'S REPORT

The Directors of Redco Textiles Limited are pleased to present the 23<sup>rd</sup> annual report along with Audited Financial Statements and Auditors report thereon for the year ended June 30, 2014 and other required information prescribed under the Code of Corporate Governance.

### Overview

With the blessing & grace of Allah Al Mighty, the Company been able to earn a profit of PKR 5.42 Million during the year ended 30th June 2014 with EPS of PKR 0.110 per share despite domestic economic challenges in which the shortage of power is at its peak. To achieve most optimum results in the given circumstances, your management worked closely on production planning and monitoring of production and efficiency outcomes.

### Operational Performance

Your company continued to perform well despite tough business and economic conditions and posted a profit before taxation for the year ended 30<sup>th</sup> June 2014 of PKR 24.36 Million (30<sup>th</sup> June 2013: PKR 32.3 Million). The achievements of the year under review may be compared against preceding year are as under:

	2014 Rupees	2013 Rupees
Sales - net	2,211,316,146	2,438,127,292
Cost of sales	2,141,950,869	2,358,299,891
Gross profit	69,365,277	79,827,401
Distribution cost	6,363,404	7,127,692
Administrative expenses	23,240,014	19,274,672
Other operating expenses	4,717,089	8,369,139
	34,320,507	34,771,503
Operating profit	35,044,770	45,055,898
Other operating income	2,008,901	813,588
	37,053,671	45,869,486
Finance cost	12,695,186	13,573,323
Profit before taxation	24,358,485	32,296,163

Sales have decreased from PKR 2.438 billion to PKR 2.211 billion due to decrease in production & sale of high value items during the year ended 30<sup>th</sup> June 2014 as compared to previous year ended 30<sup>th</sup> June 2013. Operational Profitability percentages of the company slightly decreased. In the last quarter of the year sale prices for yarn & fabric were under pressure and also production costs increased. Overall the outcome remained at the same levels as compared to the previous year, due to aggressive efforts of the management regarding marketing and control on various costs by better utilization of available resources.

During the year under review, the cost of production has increased due to a surge in the prices of fuel and power as electricity prices are increasing and availability of Gas is decreasing. Salaries and wage rates were increased by government and other consumables prices remained unstable due to cost push inflation.

Gross profit for the year under review is amounting to PKR 69.37 million as compared to PKR 79.83 million in the prior year. Whereas profit before taxation for the year under review is amounting to PKR 24.358 million as compared to PKR 32.296 million in prior year.





# REDCO TEXTILES LIMITED

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## Acknowledgment

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

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

## Future Prospects

Our Expansion/BMR program is a continuing process and during the year under review we had imported one Latest Auto cone machine and two Cards for improving the quality along with Two Loptex machines to reduce the dependence on labor for cotton cleaning and improving quality in the spinning unit. In the weaving unit a new loom shed is in process of construction and L/C for import of 24 new latest technology Air Jet Looms with initial Deposit of Rs.38.88 millions was established in year under review and L/C was retired through additional Long term Financing of Rupees 100 millions from Bank Alfalah Ltd & machines have arrived in the current year and in process of installation and will start production by end of this month.

## Dividend Distribution

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

## Statement of Corporate and Financial Reporting Framework

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

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





## Board Meetings

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

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

## Audit Committee

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

## HR and Remuneration Committee

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

## External Auditors

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

For and on behalf of the Board,

Chief Executive

Dated: October 09, 2014



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014

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

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

1. The company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the board includes one independent non-executive Director. During the financial year under review, fresh Election of Directors was held to elect Seven Directors of the Company for the next term of three years.

1. Ms. Sarah Saif Khan	Chief Executive
2. Mrs. Muniza Saif Khan	Non-Executive
3. Mrs. Taufiq Amanullah Khan	Non-Executive
4. Mrs. Samina Asad	Non-Executive Independent
5. Mr. Imran Zia	Executive
6. Mr. Ahsan ur Rehman Khan	Non-Executive
7. Mr. Khalid Rehman Khan	Non-Executive

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as tax payer and none of them has defaulted in payment of any loan to a banking company, DFI or a 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 'Code of Conduct, and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a Vision /Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended have been maintained.
7. All the powers of the board 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. Majority of Directors are exempt from training requirement and one Director Mr. Imran Zia has completed Director's Training Certification session in 2013.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not held any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting of the Code.
15. The Board has formed an audit Committee. It comprises of four members including the Chairperson of the Committee, of whom three are non-executive directors.
16. The meetings of the Audit Committee were held prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members including the Chairperson of the Committee, of whom one is non-executive directors.
18. The board has outsourced the internal audit function to M/s Muniff Ziauddin & Co, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the Company have 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 supouses and minor children do not hold shares of the Company and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principals contained in the code have been complied with.

**Chief Executive**

Dated: October 09, 2014



**REDCO TEXTILES LIMITED**

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## **MUSHTAQ & CO.**

### **CHARTERED ACCOUNTANTS**

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

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

Email Address: mushtaq\_vohra@hotmail.com

Member of



Illinois, USA

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

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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Redco Textile Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all the risks and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the audit committee and upon recommendation of audit committee, places before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2014.

Lahore:  
Dated: \_\_\_\_\_

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner:**  
Abdul Qadoos, ACA



**REDCO TEXTILES LIMITED**

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Illinois, USA

# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

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

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

Email Address: mushtaq\_vohra@hotmail.com

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Redco Textile Limited** as at June 30, 2014 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, except for change in accounting policies as stated in note 4.9 to the accompanying financial statements with which we concur;
  - (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, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:  
Dated: \_\_\_\_\_

## FINANCIAL HIGHLIGHTS

2014	2013	2012	2011	2010	2009
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(Rupees in thousands)

### Profit and Loss

Net Sales	2,211,316	2,438,127	1,712,919	2,294,236	1,469,940	1,035,884
Gross Profit/(Loss)	69,365	79,827	60,134	58,332	59,607	41,528
Profit/(Loss) Before Taxation	24,358	32,296	17,774	19,898	5,048	(1,954)
Profit/(Loss) After Taxation	5,417	21,524	32,574	7,917	7,158	(6,800)

### Cash Outflows

Taxes Paid	23,098	15,835	13,637	2,014	7,145	2,100
Financial Charges Paid	12,722	14,767	17,858	18,899	18,791	30,074
Fixed Capital Expenditures	106,101	3,997	14,809	123,757	18,005	40,884

### Balance Sheet

Current Assets	612,400	660,705	595,093	534,231	478,770	537,277
Current Liabilities	272,215	306,087	278,599	269,086	197,882	278,243
Operating Fixed Assets	982,386	924,456	968,760	946,697	869,167	896,020
Total Assets	1,599,822	1,590,182	1,568,788	1,490,252	1,353,623	1,437,836
Long Term Loans and Finances				-	-	3,244
Shareholders Equity	424,388	409,734	391,788	353,277	339,109	325,353

### Ratios

Current Ratio	2.25:1	2.16:1	2.14:1	1.99:1	2.4:1	1.89:1
Gross Profit/(Loss) %	3.14	3.27	3.51	2.54	4.05	4.00
Profit/(Loss) Before Taxation %	1.10	1.32	1.04	0.87	0.34	(0.19)
Earning Per Share %	0.11	0.44	0.66	0.16	0.15	(0.13)

### 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

30-06-2014

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
26	1	100	1,527
486	101	500	236,379
59	501	1000	58,825
122	1001	5000	404,682
46	5001	10000	376,587
18	10001	15000	238,500
10	15001	20000	183,100
2	20001	25000	48,500
6	25001	30000	171,700
3	30001	35000	93,200
2	35001	40000	75,500
4	40001	45000	175,600
6	45001	50000	290,900
1	55001	60000	55,500
2	70001	75000	148,500
2	80001	85000	164,000
1	75001	80000	77,700
1	85001	90000	88,700
1	90001	95000	93,500
3	95001	100000	299,500
2	110001	115000	222,100
1	115001	120000	118,700
1	120001	125000	122,800
1	140001	145000	142,900
3	145001	150000	442,800
1	155001	160000	158,000
1	165001	170000	167,500
3	175001	180000	531,300
1	230001	235000	231,500
1	265001	270000	265,400
1	285001	290000	287,000
1	290001	295000	294,700
1	345001	350000	349,400
1	400001	405000	403,300
1	440001	445000	442,300
1	445001	450000	448,800
1	630001	635000	634,500
1	880001	885000	884,600
1	1035001	1040000	1,038,000
1	1105001	1110000	1,105,750
1	1960001	1965000	1,965,000
1	8220001	8225000	8,223,300
1	13365001	13370000	13,365,400
1	14165001	14170000	14,165,150
830			49,292,600



5. Categories of shareholders	Share 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	460,300	0.9338%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,639,700	3.3265%
5.5 Insurance Companies	1,965,000	3.9864%
5.6 Modarabas and Mutual Funds	1,038,000	2.1058%
5.7 Share holders holding 10% or more	35,753,850	72.5339%
5.8 General Public		
a. Local	14,810,150	30.0454%
b. Foreign	4,000	0.0081%
5.9 Others (to be specified)		
Joint Stock Companies	403,000	0.8176%
Investment Companies	645,300	1.3091%

**Redco Textiles Limited**  
**Categories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on June 30, 2014**

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

- -

**Mutual Funds (Name Wise Detail)**

1	MCBFSL - TRUSTEE NAMCO BALANCED FUND (CDC)	1,038,000	2.1058%
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**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MRS. TAUFIQA AMANULLAH KHAN	442,300	0.8973%
2	MRS. MUNEZA SAIF-UR-REHMAN KHAN	176,400	0.3579%
3	MRS. SAMINA ASAD	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:**

3,604,700 7.3129%

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

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

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

S.No	NAME	SALE	PURCHASE
NIL			



# REDCO TEXTILES LIMITED

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## REDCO TEXTILES LIMITED

### BALANCE SHEET

AS AT JUNE 30, 2014

	Note	Restated		
		2014 Rupees	2013 Rupees	2012 Rupees
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	5	982,386,000	924,455,999	968,759,577
Long term investment	6	130,640	114,375	80,220
Long term deposits	7	4,905,940	4,905,940	4,855,940
		<u>987,422,580</u>	<u>929,476,314</u>	<u>973,695,737</u>
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	8	43,363,242	34,496,210	33,430,997
Stock in trade	9	283,262,813	277,216,929	292,714,290
Trade debts	10	149,258,559	244,272,544	168,596,021
Loans and advances	11	37,966,388	45,659,566	49,933,354
Trade deposits and short term prepayments	12	39,680,406	719,394	721,337
Tax refunds due from Government	13	40,913,362	37,366,565	33,913,179
Cash and bank balances	14	17,955,129	20,974,235	15,783,323
		<u>612,399,899</u>	<u>660,705,443</u>	<u>595,092,501</u>
<b>TOTAL ASSETS</b>		<u><u>1,599,822,479</u></u>	<u><u>1,590,181,757</u></u>	<u><u>1,568,788,238</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized capital				
50,000,000 (June 30, 2013: 50,000,000) ordinary shares of Rs.10 each		<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	15	492,926,000	492,926,000	492,926,000
Reserves		75,565	59,301	25,146
Accumulated loss		(68,613,968)	(83,251,623)	(105,475,672)
		<u>424,387,597</u>	<u>409,733,678</u>	<u>387,475,474</u>
<b>SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET OF TAX</b>	16	227,532,398	232,014,914	236,730,339
<b>NON CURRENT LIABILITIES</b>				
Long term financing from associated undertakings	17	415,739,764	417,184,624	432,184,624
Long term financing from directors and others	18	246,640,580	204,524,629	214,524,629
Deferred liabilities	19	13,306,682	20,636,827	19,273,835
		<u>675,687,026</u>	<u>642,346,080</u>	<u>665,983,088</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	20	175,262,844	192,444,961	151,868,793
Accrued mark up / interest	21	3,065,230	3,091,583	4,285,121
Short term borrowings	22	68,887,384	85,550,542	85,000,748
Current portion of :				
Long term financing from associated undertakings	17	15,000,000	15,000,000	37,444,675
Long term financing from directors and others	18	10,000,000	10,000,000	-
		<u>272,215,458</u>	<u>306,087,086</u>	<u>278,599,337</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,599,822,479</u></u>	<u><u>1,590,181,757</u></u>	<u><u>1,568,788,238</u></u>

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

**REDCO TEXTILES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees Restated
Sales - net	24	2,211,316,146	2,438,127,292
Cost of sales	25	2,141,950,869	2,358,299,891
Gross profit		69,365,277	79,827,401
Distribution cost	26	6,363,404	7,127,692
Administrative expenses	27	23,240,014	19,274,672
Other operating expenses	28	4,717,089	8,369,139
		34,320,507	34,771,503
Operating profit		35,044,770	45,055,898
Other income	29	2,008,901	813,588
		37,053,671	45,869,486
Finance cost	30	12,695,186	13,573,323
Profit before taxation		24,358,485	32,296,163
Taxation	31	(18,941,036)	(10,772,250)
Profit for the year		5,417,449	21,523,913
Earnings per share - basic and diluted	32	0.110	0.437

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

CHIEF EXECUTIVE

DIRECTOR

**REDCO TEXTILES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees Restated
Profit for the year		5,417,449	21,523,913
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
<b>Available for sale financial assets</b>			
Fair value gain arised during the period		16,264	34,155
		16,264	34,155
<b>Items that will never be reclassified subsequently to profit and loss</b>			
Remeasurement on staff retirement benefits		4,286,830	(9,034,792)
Deferred tax on remeasurement of staff retirement benefits		(1,396,568)	3,071,829
		2,890,262	(5,962,963)
Total comprehensive income for the year		8,323,976	15,595,105

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

**CHIEF EXECUTIVE**

**DIRECTOR**

**REDCO TEXTILES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Share capital	Reserves	Accumulated loss	Total equity
		Unrealized gain on available for sale investment		
Rupees				
Balance as at July 01, 2012 - as originally reported	492,926,000	25,146	(101,163,375)	391,787,771
Effect of retrospective application of change in an accounting policy	-	-	(4,312,297)	(4,312,297)
<b>Balance as at July 01, 2012 - as restated</b>	<b>492,926,000</b>	<b>25,146</b>	<b>(105,475,672)</b>	<b>387,475,474</b>
Total comprehensive income for the year - restated	-	34,155	15,560,950	15,595,105
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	6,663,099	6,663,099
<b>Balance as at July 01, 2013 - restated</b>	<b>492,926,000</b>	<b>59,301</b>	<b>(83,251,623)</b>	<b>409,733,678</b>
Total comprehensive income for the year	-	16,264	8,307,712	8,323,976
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	6,329,944	6,329,944
<b>Balance as at June 30, 2014</b>	<b>492,926,000</b>	<b>75,565</b>	<b>(68,613,968)</b>	<b>424,387,597</b>

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

CHIEF EXECUTIVE

DIRECTOR

**REDCO TEXTILES LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		24,358,485	32,296,163
Adjustments for :			
Depreciation		47,773,428	48,300,352
Provision for staff retirement benefits - gratuity		3,628,797	4,703,207
Provision for workers' profit participation fund		1,200,300	1,692,644
Gain on disposal of property, plant and equipment		(652,336)	-
Finance cost		12,695,186	13,573,323
		64,645,375	68,269,526
Operating profit before working capital changes		89,003,860	100,565,689
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(8,867,032)	(1,065,213)
Stock in trade		(6,045,884)	15,497,361
Trade debts		95,013,985	(75,676,523)
Trade deposits and short term prepayments		(31,267,834)	4,275,731
Increase / (decrease) in current liabilities			
Trade and other payables		(18,382,417)	38,883,524
		30,450,817	(18,085,120)
Cash generated from operations		119,454,677	82,480,569
Staff retirement benefits - gratuity paid		(5,610,698)	(5,746,023)
Finance cost paid		(12,721,538)	(14,766,861)
Sales tax income taxes paid		(23,098,388)	(15,835,117)
		(41,430,624)	(36,348,001)
Net cash generated from operating activities		78,024,053	46,132,568
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment - acquired		(106,101,093)	(3,996,774)
Proceeds from sale of property, plant and equipment		1,050,000	-
Long term deposits		-	(50,000)
Net cash used in investing activities		(105,051,093)	(4,046,774)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings		(16,663,157)	549,793
Long term financing from directors and others		42,115,951	-
Long term financing from associated undertaking		(1,444,860)	(37,444,675)
Net cash generated from / (used in) financing activities		24,007,934	(36,894,882)
(Decrease) / increase in cash and cash equivalents		(3,019,107)	5,190,912
Cash and cash equivalents at the beginning of the year		20,974,235	15,783,323
Cash and cash equivalents at the end of the year	14	17,955,129	20,974,235

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



**REDCO TEXTILES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1 STATUS AND NATURE OF BUSINESS**

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

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Functional and presentation currency**

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

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

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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2013:

- IAS 19, 'Employee Benefits'. With effect from 01 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in profit and loss account as soon as any change in benefit plan is made, previously only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortized to profit and loss account over the vesting period. The standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer note 4.9 for revised accounting policy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). 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. The amendment does not have any effect on the company.
- IFRIC 20 - Stripping cost in the production phase of a surface mining. The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

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

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.



- ❑ IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.
- ❑ IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation has no impact on financial statements of the Company.
- ❑ Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.
- ❑ IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2015. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- ❑ IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- ❑ IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2015, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ❑ IFRS 11, 'Joint Arrangements', applicable from January 01, 2015, 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.
- ❑ IFRS12, 'Disclosures of interests in other entities', applicable from January 01, 2015, 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.
- ❑ IFRS 13, 'Fair value measurement', applicable from January 01, 2015, 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.

### 2.3.3 Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- ❑ IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- ❑ IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.



- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

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

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

2.3.5 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

### 3 BASIS OF MEASUREMENT

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

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

#### 3.1 Income Taxes

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

#### 3.2 Property, Plant & Equipment

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

#### 3.3 Stores, spares and loose tools

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



### 3.4 Defined Benefits Plan

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Property, plant and equipment

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

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

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

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

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

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

### 4.2 Impairment losses

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

### 4.3 Long term investments

#### Investment available for sale

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

### 4.4 Stores, spares and loose tools

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

### 4.5 Stock in trade

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

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

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

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

#### 4.6 Trade debtors

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

#### 4.7 Other receivables

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

#### 4.8 Cash and bank balances

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

#### 4.9 Staff retirement benefits

The Company operates contributory unfunded gratuity scheme for its officers and employees. Provision for gratuity is made on the basis of last drawn salary for each completed year of service. Minimum qualifying period for gratuity benefit is one year from the date of joining. Contributions made are based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2014 using the Projected Unit Credit method (note 19.1).

During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

Effects of the change in the accounting policy have been summarized below:

	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>Impact on Balance Sheet</b>		
Increase / (decrease) in staff retirement benefits	14,415,941	6,533,785
(Decrease) / increase in deferred taxation liability	4,901,421	2,221,488
Decrease in accumulated profits	9,514,520	4,312,297
<b>Impact on profit and loss account</b>		
Decrease in cost of sales	1,152,636	-
Increase in deferred tax expense	372,834	-
<b>Impact on Other comprehensive income</b>		
Decrease in other comprehensive income - net of tax	5,962,963	-

#### 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.



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## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	5.1	930,753,502	924,455,999
Capital work in progress	5.4	51,632,498	-
		<u>982,386,000</u>	<u>924,455,999</u>

### 5.1 Operating fixed assets

PARTICULARS	COST / REVALUATION					Rate	DEPRECIATION					BOOK VALUE
	As at July 1, 2013	Additions / Adjustments	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2014		As at July 1, 2013	For the year	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2014	As at June 30, 2014
<b>OWNED ASSETS</b>												
Freehold land	124,550,000	-	-	-	124,550,000	-	-	-	-	-	-	124,550,000
Building on free hold land	236,747,072	-	-	-	236,747,072	0.05	110,835,308	6,295,588	-	-	117,130,896	119,616,176
Plant and machinery	956,103,680	36,429,354	-	-	992,533,034	0.05	383,514,930	29,500,653	-	-	413,015,583	579,517,450
Generators	92,511,346	-	-	-	92,511,346	0.05	25,914,491	3,329,843	-	-	29,244,334	63,267,012
Tools and equipment	25,320,122	-	-	-	25,320,122	0.05	10,235,310	754,241	-	-	10,989,551	14,330,571
Tools	71,318,722	15,884,242	-	-	87,202,964	0.33	57,485,928	7,267,384	-	-	64,753,312	22,449,651
Vehicles	8,150,937	2,100,000	1,075,000	-	9,175,937	0.20	7,035,819	384,632	677,336	-	6,743,115	2,432,822
Furniture and fixtures	2,147,081	-	-	-	2,147,081	0.05	1,032,590	55,725	-	-	1,088,315	1,058,766
Office equipment	3,858,405	55,000	-	-	3,913,405	0.05	1,720,296	109,197	-	-	1,829,493	2,083,912
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,504,943	76,165	-	-	4,581,108	1,447,141
<b>Total 2014</b>	<b>1,526,735,614</b>	<b>54,468,595</b>	<b>1,075,000</b>	<b>-</b>	<b>1,580,129,209</b>		<b>602,279,615</b>	<b>47,773,428</b>	<b>677,336</b>	<b>-</b>	<b>649,375,707</b>	<b>930,753,502</b>

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

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	2014 Rupees	2013 Rupees
<b>5.3 Depreciation has been allocated as follows</b>			
Cost of sales	25	47,147,710	47,770,209
Administrative expenses	27	625,719	530,143
		<u>47,773,428</u>	<u>48,300,352</u>

### 5.4 Capital work in progress

Building civil works	26,189,888	-
Plant and machinery	25,442,610	-
	<u>51,632,498</u>	<u>-</u>

### 5.5 Disposal of property, plant and equipment

Particulars	Name of buyer	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds
Rupees						
<b>Outsiders</b>						
Vehicle	Imran saeed	Negotiation	1,075,000	677,336	397,664	1,050,000
<b>Total</b>			<u>1,075,000</u>	<u>677,336</u>	<u>397,664</u>	<u>1,050,000</u>

	Note	2014 Rupees	2013 Rupees
<b>5.6 Gain on disposal of property, plant and equipment</b>			
Cost		1,075,000	-
Less : Accumulated depreciation		(677,336)	-
Written down value		397,664	-
Sale proceeds		(1,050,000)	-
Net gain on disposal of property, plant and equipment		<u>(652,336)</u>	<u>-</u>



		2014	2013
	Note	Rupees	Rupees
<b>6 LONG TERM INVESTMENT</b>			
Available for sale - quoted company	6.1	<u>130,640</u>	<u>114,375</u>
6.1	This represents the investment in 500 (June 30, 2013 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at is Rs. 261.28 (June 30, 2013 : Rs. 228.75) per share.		
<b>7 LONG TERM DEPOSITS</b>			
Deposits :			
WAPDA		2,620,940	2,620,940
SNGPL		545,900	545,900
Cash margin		1,661,600	1,661,600
Others		77,500	77,500
		<u>4,905,940</u>	<u>4,905,940</u>
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		33,084,194	25,258,048
Spares parts		6,288,629	5,926,320
Packing material		3,953,328	3,264,655
Loose tools		37,091	47,187
		<u>43,363,242</u>	<u>34,496,210</u>
<b>9 STOCK IN TRADE</b>			
Raw material	9.1	80,957,418	120,433,600
Work in process		42,885,636	34,838,050
Finished goods	9.1	147,850,478	106,905,641
Waste		11,569,281	15,039,638
		<u>283,262,813</u>	<u>277,216,929</u>
9.1	These include raw material and finished stocks amounting to Rs. 33.683 million (June 30, 2013 : Rs. 26.037 million) and amounting to Rs. 29.978 million (June 30, 2013 : Rs. 49.321 million) pledged with NIB Bank Limited (formerly PICIC Commercial Bank Limited) and Bank Alfalah against short term borrowings respectively.		
<b>10 TRADE DEBTS</b>			
<b>Secured</b>			
Considered good		271,826	12,632,520
<b>Unsecured</b>			
Considered good		148,986,733	231,640,024
Considered doubtful		6,282,610	6,282,610
		<u>155,541,169</u>	<u>250,555,154</u>
Less: Provision for doubtful debts		(6,282,610)	(6,282,610)
		<u>149,258,559</u>	<u>244,272,544</u>
<b>11 LOANS AND ADVANCES</b>			
<b>Unsecured - considered good</b>			
Advances to:			
Suppliers		35,155,990.9	41,739,641
Employees	11.1	2,810,397	3,919,925
		<u>37,966,388</u>	<u>45,659,566</u>



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	Note	2014 Rupees	2013 Rupees
<b>11.1 Employees - unsecured</b>			
Considered good		2,810,397	3,919,925
Considered doubtful		5,266,941	5,266,941
		8,077,338	9,186,866
Less: Provision for doubtful advances to employees		(5,266,941)	(5,266,941)
		<u>2,810,397</u>	<u>3,919,925</u>
<b>12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Short term prepayments		798,693	719,394
Deposit against LC margin		38,881,713	-
		<u>39,680,406</u>	<u>719,394</u>
<b>13 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		28,415,711	28,847,189
Advance income tax	13.1	12,497,652	8,519,377
		<u>40,913,362</u>	<u>37,366,565</u>
<b>13.1 Advance income tax</b>			
Opening balance		8,519,377	5,276,138
Add: Payment / adjustment during the year		23,529,866	15,624,970
		<u>32,049,243</u>	<u>20,901,108</u>
Adjusted against provision for the year		(19,551,591)	(12,381,731)
Closing balance		<u>12,497,652</u>	<u>8,519,377</u>
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		33,204	593,080
Cash with banks in :			
- Current accounts		17,825,657	20,355,967
- Saving accounts	14.1	96,268	25,188
		<u>17,921,925</u>	<u>20,381,155</u>
		<u>17,955,129</u>	<u>20,974,235</u>

14.1 It carries rate of return ranging from 5 % to 8 % (June 30, 2013 : 5 % to 8 %) per annum.



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## 15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
Number of shares			Rupees	Rupees
49,292,600	49,292,600	Ordinary shares of 10 each fully paid in cash	492,926,000	492,926,000

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

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

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX	Note	2014 Rupees	2013 Rupees
Opening balance - gross		298,235,865	308,486,786
Add: Surplus arised during the year		-	-
		<u>298,235,865</u>	<u>308,486,786</u>
Less: Transferred to equity in respect of:			
Incremental depreciation on revalued assets		6,329,944	6,663,099
Related deferred tax liability		3,408,431	3,587,822
		<u>9,738,375</u>	<u>10,250,921</u>
Closing balance - gross		288,497,490	298,235,865
Less: <b>Related deferred tax liability</b>			
Revaluation at the beginning of the year		66,220,951	71,756,447
Related deferred tax liability on addition to surplus		-	-
Effect of change in tax rate		(1,847,427)	(1,947,674)
Amount realized during the year on account of incremental depreciation		(3,408,431)	(3,587,822)
		<u>60,965,092</u>	<u>66,220,951</u>
Closing balance - net of tax		<u>227,532,398</u>	<u>232,014,914</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	2014 Rupees	2013 Rupees
Free hold land		21,081,636	21,081,636
Building on free hold land		66,715,621	70,226,970
Plant and machinery		452,079,553	438,443,595
Generators		58,576,338	61,659,303
		<u>598,453,148</u>	<u>591,411,504</u>

17 LONG TERM FINANCING FROM ASSOCIATED UNDERTAKINGS	Note	2014 Rupees	2013 Rupees
<b>Unsecured - from related parties</b>			
Redco Pakistan Limited		324,630,299	326,075,159
Royal Holdings (Private) Limited		106,109,465	106,109,465
		430,739,764	432,184,624
Current portion shown under current liabilities		(15,000,000)	(15,000,000)
		<u>415,739,764</u>	<u>417,184,624</u>

17.1 These represent interest free, unsecured loan from associated undertaking on long term basis. The amount is not payable before June 30, 2015 except the amount disclosed as current portion shown under current liabilities.

17.2 Out of the above balance amount of Rs. 414.766 million (June 30 2013: Rs. 414.766 million) have been subordinated to NIB Bank and Bank Al-Falah Limited.

18 LONG TERM FINANCING FROM DIRECTORS AND OTHERS	Note	2014 Rupees	2013 Rupees
<b>Unsecured - from related parties</b>			
<b>Sponsor</b>			
Saif-ur-Rehman Khan		244,922,979	202,807,028
<b>Chief Executive</b>			
Ms. Sarah Saif Khan		4,592,570	4,592,570
<b>Directors</b>			
Ahsan-ur- Rehman Khan		3,525,031	3,525,031
Mrs. Tufiqqa Amanullah Khan		3,600,000	3,600,000
		7,125,031	7,125,031
Current portion shown under current liabilities		(10,000,000)	(10,000,000)
		<u>246,640,580</u>	<u>204,524,629</u>

18.1 These represent unsecured interest free loans from directors / sponsor, which have been utilized for the import of machinery as well as for meeting the working capital requirements. The amount is not payable before June 30, 2015 except the amount disclosed as current portion shown under current liabilities.

18.2 Out of the above balance amount of Rs. 149.947 million (June 30 2013: Rs. 149.947 million) has been subordinated to NIB Bank and Bank Al-Falah Limited.

18.3 The maximum aggregate amount due to chief executive and directors at the end of any month during the year was Rs. 11,717,601 (June 30, 2013: Rs. 11,717,601).

19 DEFERRED LIABILITIES	Note	2014 Rupees	2013 Rupees Restated
Staff retirement benefits - gratuity	19.1	9,429,294	15,698,025
Deferred taxation	19.2	3,877,388	4,938,802
		<u>13,306,682</u>	<u>20,636,827</u>
<b>19.1 Staff retirement benefits - gratuity</b>			
Opening balance		15,698,025	7,706,049
Add: Provision for the year		3,628,797	4,703,207
Remeasurements recognized		(4,286,830)	9,034,792
		<u>15,039,992</u>	<u>21,444,048</u>
Less: Paid during the year		5,610,698	5,746,023
Closing balance		<u>9,429,294</u>	<u>15,698,025</u>

#### 19.1.1 General description

The scheme provides for termination benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the company. Annual charge is based on actuarial valuation carried out as at June 30, 2014, using Projected Unit Credit Method.



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	Note	2014 Rupees	2013 Rupees Restated
<b>19.1.2 Principal actuarial assumptions</b>			
Following are a few important actuarial assumptions used in the valuation:			
		%	%
Discount rate		13.25%	10.5
Expected rate of increase in salary		12.25%	10
		Years	Years
Average expected remaining working life time of the employees		7	5
<b>19.1.3 Reconciliation</b>			
Present value of defined benefit obligation as at year end		9,429,293	15,698,024
		<u>9,429,293</u>	<u>15,698,024</u>
<b>19.1.4 Movement in present value of defined benefit obligation</b>			
Present value of defined benefit obligation -Opening balance		15,698,024	7,706,049
Current service cost		2,860,231	3,548,750
Interest cost		768,566	1,154,456
Benefits paid during the period		(5,610,698)	(5,746,023)
Actuarial gain arising during the year		(4,286,830)	9,034,792
Closing balance		<u>9,429,293</u>	<u>15,698,024</u>
<b>19.1.5 Charge for the year</b>			
Current service cost		2,860,231	3,548,750
Interest cost		768,566	1,154,456
		<u>3,628,797</u>	<u>5,855,842</u>
<b>19.1.6 Gratuity expenses have been allocated as follows</b>			
Cost of goods manufactured		3,628,797	4,703,207
		<u>3,628,797</u>	<u>4,703,207</u>
<b>19.1.7 Expenses recognized in other comprehensive income</b>			
Remeasurement in the year		(4,286,830)	5,962,963
<b>19.1.7 Expected gratuity expenses for the year ended June 30, 2015 works out Rs. 3,998,747.</b>			
<b>19.2 Deferred taxation</b>			
Opening balance		4,938,802	11,567,786
Less: Reversed on surplus during the year due to rate change		(1,847,427)	(1,947,674)
Less: Reversed during the year in profit and loss account		(610,555)	(1,609,481)
Less: Charged through other comprehensive income due to remeasurements		1,396,568	(3,071,829)
		<u>3,877,388</u>	<u>4,938,802</u>
Deferred tax liabilities / (assets) arising due to taxable /(deductible) temporary differences are as follows:			
	Note	2014 Rupees	2013 Rupees Restated
Accelerated tax depreciation		124,979,098	125,824,160
Surplus on revaluation of property, plant and equipment		60,965,092	66,220,951
Staff retirement benefits - gratuity		(3,071,885)	(5,098,923)
Provision for doubtful debts / advances		(3,762,624)	(3,926,847)
Turnover tax carried forward		(70,326,028)	(68,849,644)
Brought forward tax losses		(104,906,266)	(108,992,490)
		<u>3,877,388</u>	<u>5,177,207</u>
Tax rate used		<u>33%</u>	<u>34%</u>



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	Note	2014 Rupees	2013 Rupees
<b>20 TRADE AND OTHER PAYABLES</b>			
Creditors		117,241,204	129,609,593
Accrued liabilities		36,111,774	44,003,511
Advances from customers		9,623,644	8,871,573
Withholding tax payable - prior years		2,734,002	3,407,590
Withholding tax payable - current year		7,895,806	3,832,394
Workers' profit participation fund	20.1	1,200,300	1,692,645
Workers' welfare fund	20.2	456,113	1,027,655
		<u>175,262,844</u>	<u>192,444,961</u>
<b>20.1 Workers' profit participation fund</b>			
Opening balance		1,692,645	936,873
Provision for the year		1,200,300	1,692,644
Less: Payment during the year		(1,786,700)	(1,040,990)
		<u>1,106,245</u>	<u>1,588,527</u>
Add: Interest for the year at the rate of 15.33% (June 30, 2013: 16.67%) percent per annum		94,055	104,118
		<u>1,200,300</u>	<u>1,692,645</u>
<b>20.1.1</b> The Company retains the allocation to this fund for its business operations till the amount is paid to the employees.			
<b>20.2 Workers welfare fund</b>			
Opening balance		1,027,655	115,066
Provision for the year		456,114	912,589
Add: Interest for the year		137,130	-
Less: Payment during the year		(1,164,786)	-
		<u>456,113</u>	<u>1,027,655</u>
<b>21 ACCRUED MARK UP / INTEREST</b>			
Interest / markup accrued on:			
Short term borrowings - NIB Bank Limited		1,139,677	1,217,901
Short term borrowings - Bank Al - Falah Limited		1,925,553	1,873,682
		<u>3,065,230</u>	<u>3,091,583</u>
<b>22 SHORT TERM BORROWINGS</b>			
Cash Finance I	22.1	-	-
Cash Finance II	22.2	27,866,427	24,409,405
Cash Finance III	22.3	19,454,381	12,774,737
Cash Finance IV	22.4	21,566,576	48,366,400
		<u>68,887,384</u>	<u>85,550,542</u>
<b>22.1</b> This facility is availed from NIB Bank Limited (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs.15 million. This facility is expired and further renewal is not obtained by the company. This facility is secured against lien on instruments (cheques) for IBP, first parri passu charge of Rs.300 million on fixed assets of the company including land, building and machinery and personal guarantee of the sponsors and directors of the company. This facility carries markup at last 7 days' average 3 month KIBOR plus 4.5% per annum (June 30, 2013: last 7 days' average 3 months KIBOR plus 4.5% per annum) and up front commission of 0.20% (June 30, 2013: 0.20 %) maximum tenor 30 days ( June 30, 2013: 30 days).			
<b>22.2</b> This facility is availed from NIB Bank (formerly PICIC Commercial Bank Limited) against aggregate limit of Rs. 90 million (June 30, 2013: Rs.75 million) to finance cotton, yarn and fabric with a ratio of 72:11:17 (June 30, 2013 :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, pledge of cotton bales / yarn on the market value or landed cost whichever is less with 10% margin and personal guarantee of the sponsors and directors. It carries markup at last 7 days' average 3 months KIBOR plus 3% (June 30, 2013: last 7 days' average 3 months KIBOR plus 3%) per annum and payable quarterly.			
<b>22.3</b> This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 20 million (June 30, 2013: Rs. 20 million). This facility is secured against first parri passu charge of Rs. 40 million (June 30, 2013: 40 million) on current assets of the company, first pari passu charge of Rs. 295 million (June 30, 2013: 180 million) on fixed assets of the company and personal guarantee of all directors of the company. This facility carry markup at 6 months KIBOR plus 3% (June 30, 2013: 6 months KIBOR plus 3%) per annum.			
<b>22.4</b> This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 80 million (June 30, 2013: Rs 150 million). This facility is secured against pledge of cotton on market value with 20% margin over KCA rates. It carries markup at 6 months KIBOR plus 3% (June 30, 2013 : 6 months KIBOR plus 3%) per annum.			
<b>22.5</b> The above facilities will expire on various dates by December 31, 2014.			



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## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 CONTINGENCIES

The company has availed the facility for issuance of performance guarantees (LG) (Existing) from Bank Alfalah Limited amounting to Rs. 17,232,935 (June 30, 2013 : Rs. 17,232,935). This facility is secured against counter guarantee of the company and carry commission of 0.40% per quarter (June 30, 2013 :0.40% per quarter) maximum tenor: performance bond revolving.

### 23.2 COMMITMENTS

Outstanding commitments related to letter of credit for machinery & spare parts import at the end of the year equivalent to Pak Rs.135.88 million. (June 30, 2013: 44.25 million).

24 SALES - Net	Note	2014 Rupees	2013 Rupees
Export			
- Fabric		35,682,537	53,486,367
Local			
- Yarn		967,393,897	903,441,473
- Fabric		1,192,309,935	1,423,894,602
		2,159,703,832	2,327,336,075
Waste sale		26,328,458	65,497,074
		2,221,714,827	2,446,319,516
Commission		(10,398,681)	(8,192,224)
		2,211,316,146	2,438,127,292

24.1 Sales tax on local sales is Rs. 54,440,751 (June 30: 2013 Rs 20,363,785)

25 COST OF SALES	Note	2014 Rupees	2013 Rupees Restated
Raw material consumed	25.1	1,598,455,458	1,736,114,815
Packing material consumed	25.2	24,012,710	21,784,209
Stores and spare parts and loose tools consumed	25.3	80,500,626	71,619,783
Fuel and power		261,437,291	199,902,733
Salaries, wages and other benefits	25.4	161,702,002	148,991,361
Repairs and maintenance		7,566,532	7,184,397
Depreciation	5.3	47,147,710	47,770,209
Other expenses		10,120,963	12,953,713
Cost of manufacturing		2,190,943,292	2,246,321,220
Work in process:			
Opening		34,838,050	40,494,149
Closing		(42,885,636)	(34,838,050)
		(8,047,586)	5,656,099
Cost of goods manufactured		2,182,895,706	2,251,977,319
Finished goods:			
Opening		106,905,641	124,725,046
Fabric purchases during the year		-	88,503,167
		106,905,641	213,228,213
Closing		(147,850,478)	(106,905,641)
		(40,944,837)	106,322,572
		2,141,950,869	2,358,299,891
25.1 Raw material consumed			
Opening		135,473,238	127,495,095
Add: Purchases during the year		1,555,508,919	1,744,092,958
		1,690,982,157	1,871,588,053
Closing stock	25.1.1	(92,526,699)	(135,473,238)
		1,598,455,458	1,736,114,815

25.1.1 This includes usable waste stock of Rs. 11,569,281 (June 30, 2013: Rs. 15,036,638).





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	Note	2014 Rupees	2013 Rupees
<b>25.2 Packing material consumed</b>			
Opening stock		3,264,655	4,635,146
Add: Purchases during the year		24,701,383	20,413,718
		<u>27,966,038</u>	<u>25,048,864</u>
Closing stock		(3,953,328)	(3,264,655)
		<u>24,012,710</u>	<u>21,784,209</u>
<b>25.3 Store, spare parts and loose tools consumed</b>			
Opening stock		31,231,555	28,795,851
Add: Purchases during the year		88,678,986	74,055,487
		<u>119,910,541</u>	<u>102,851,338</u>
Closing stock		(39,409,914)	(31,231,555)
		<u>80,500,626</u>	<u>71,619,783</u>

25.4 Salaries, wages and other benefits includes Rs.3,628,797 (June 30, 2013: Rs.5,855,842) in respect of staff retirement benefits - gratuity.

	Note	2014 Rupees	2013 Rupees
<b>26 Distribution cost</b>			
Salaries and other benefits		3,271,883	3,090,373
Local taxes, carriage and freight		1,144,350	1,013,005
Postage, telephone and telegraph		113,045	94,926
Traveling and conveyance		1,001,076	867,381
Other selling expenses		833,050	2,062,007
		<u>6,363,404</u>	<u>7,127,692</u>

	Note	2014 Rupees	2013 Rupees
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		9,081,033	8,268,351
Traveling and conveyance		2,509,118	1,224,291
Entertainment		394,768	292,297
Communication		1,287,091	1,055,783
Printing and stationery		350,648	350,389
Vehicle running and maintenance		979,722	893,978
Fee and subscription		1,004,887	480,614
Repair and maintenance		2,280,437	1,839,385
Depreciation	5.3	625,719	530,142
Others		4,726,591	4,339,442
		<u>23,240,014</u>	<u>19,274,672</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:

	2014			2013		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees					
Managerial Remuneration	-	-	7,318,400	-	-	6,068,000
	-	-	<u>7,318,400</u>	-	-	<u>6,068,000</u>
Number of Persons	1	6	7	1	6	7

27.1.1 No remuneration and benefit is provided to the chief executive, by the company (June 30, 2013: Nil).

27.1.2 No fee or remuneration was paid to the directors of the company (June 30, 2013 : Nil).



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28 OTHER OPERATING EXPENSES	Note	2014 Rupees	2013 Rupees
Legal and professional		2,375,675	5,133,906
Auditors' remuneration			
Audit fee		605,000	550,000
Fee for certification including half yearly review		80,000	80,000
		685,000	630,000
Workers' profit participation fund		1,200,300	1,692,644
Workers' welfare fund		456,114	912,589
		<u>4,717,089</u>	<u>8,369,139</u>
29 OTHER INCOME	Note	2014 Rupees	2013 Rupees
From financial assets			
Dividend		4,250	3,912
Exchange gain on foreign currency		648,682	519,140
Profit on bank deposits		703,632	290,536
From other than financial assets			
Gain on disposal of fixed assets		652,336	-
		<u>2,008,901</u>	<u>813,588</u>
30 FINANCE COST			
Mark up / interest on :			
Short term borrowings		10,224,704	11,310,771
Workers' profit participation fund		94,055	104,118
Bank charges and commission		2,376,426	2,158,434
		<u>12,695,186</u>	<u>13,573,323</u>
31 TAXATION			
<i>Current</i>			
Current year		18,698,246	12,381,731
Prior year		853,345	-
<i>Deferred</i>			
Current year		(465,296)	(1,215,502)
Prior year - effect of rate change		(145,259)	(393,979)
		<u>18,941,036</u>	<u>10,772,250</u>
31.1	The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the universal self assessment scheme of Income Tax Ordinance, 2001. Income tax assessment has been finalized up to June 30, 2013.		
32 EARNINGS PER SHARE - BASIC AND DILUTED	Note	2014 Rupees	2013 Rupees
Profit for the year		<u>5,417,449</u>	<u>21,523,913</u>
		Numbers	Numbers
Weighted average number of ordinary shares outstanding during the year		<u>49,292,600</u>	<u>49,292,600</u>
		Rupees	Rupees
Earnings per share - basic		<u>0.1099</u>	<u>0.4367</u>
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	2014 Rupees	2013 Rupees
Redco Pakistan Limited	Inter company advance / loan - received	30,000,000	695,244
Redco Pakistan Limited	Inter company advance / loan - payment	31,444,860	38,139,919
Related parties	Nature of transactions		
Saif Ur Rehman Khan	long term financing from directors and others - receipts	50,500,000	-
Saif Ur Rehman Khan	long term financing from directors and others - payment	8,384,049	3,500,667

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

### 34 CORRESPONDING FIGURES

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



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## 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

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

### 35.1 Credit risk

#### 35.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 174.930 millions (June 30, 2013 : 274.073 millions), financial assets which are subject to credit risk aggregate to Rs. 156.975 million (June 30, 2013 : Rs. 253.098 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.

	2014 Rupees	2013 Rupees
Long term deposits	4,905,940	4,905,940
Trade debts	149,258,559	244,272,544
Loan and advances	2,810,397	3,919,925
Cash and bank balances	17,955,129	20,974,235
	<u>174,930,025</u>	<u>274,072,644</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.

	2014 Rupees	2013 Rupees
Yarn	29,367,734	104,076,335
Fabric	125,846,219	145,451,884
Waste	327,217	1,026,934
	<u>155,541,169</u>	<u>250,555,153</u>

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

	Gross debtors	
	2014	2013
	Rupees	
Not past due	133,747,774	228,200,884
Past due 90 days - 1 year	3,823,930	2,934,603
More than one year	17,969,465	19,419,666
	<u>155,541,169</u>	<u>250,555,154</u>
Impairment	(6,282,610)	(6,282,610)
	<u>149,258,559</u>	<u>244,272,544</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.

	2014						
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two year	Two to five years	More than five years
	Rupees						
<b>Non - derivative Financial liabilities</b>							
Long term financing from associated undertakings	430,739,764	430,739,764	-	15,000,000	-	415,739,764	-
Long term financing from directors and others	256,640,580	256,640,580	-	10,000,000	-	246,640,580	-
Accrued Mark up / interest	3,065,230	3,065,230	3,065,230	-	-	-	-
Trade and other payables	175,262,844	175,262,844	175,262,844	-	-	-	-
Short term borrowings	68,887,384	73,650,947	73,650,947	-	-	-	-
	<u>934,595,803</u>	<u>939,359,365</u>	<u>251,979,021</u>	<u>25,000,000</u>	<u>-</u>	<u>662,380,344</u>	<u>-</u>



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2013

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

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. 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 2014	2,758	271,826
Trade debts 2013	128,119	12,632,521

The following significant exchange rates applied during the year.

Financial assets	Average rates		Reporting date rates	
	2014	2013	2014	2013
US Dollar to Rupee	98.58	98.10	98.55	98.60

##### Sensitivity analysis

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

	2014 Rupees	2013 Rupees
US Dollar	(13,591)	(631,626)

#### 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.

	2014 Rupees	2013 Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	96,268	25,188
Financial liabilities	68,887,384	85,550,541



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## Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2013.

	Profit and loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2014	688,874	(688,874)	-	-
Cash flow sensitivity - variable rate instruments 2013	855,505	(855,505)	-	-

## 35.4 Fair value of financial assets and liabilities

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

## 35.5 Off balance sheet items

Bank guarantees issued in ordinary course of business

	2014 Rupees	2013 Rupees
Bank guarantees issued in ordinary course of business	17,233,000	17,233,000

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

## 36 CAPITAL RISK MANAGEMENT

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

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

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

		2014	2013
Borrowings	Rupees	756,267,728	732,259,795
Total equity	Rupees	1,180,655,326	1,141,993,473
Total capital employed	Rupees	1,936,923,054	1,874,253,268
Gearing ratio	Percentage	39.04	39.07

## 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.

	2014	2013
<b>Spinning</b>		
Number of spindles installed	22,500	22,500
Installed capacity at 20's counts based on 1080 shifts - lbs.	15,156,000	15,156,000
Capacity utilized	77%	69%
Actual production of yarn - lbs.	12,146,700	11,246,046
Actual production converted into 20's count - lbs.	11,681,100	10,426,027
Number of shifts worked per day	3	3
Number of shifts worked	932	861
<b>Weaving</b>		
Number of looms installed	96	96
Installed capacity at 60 picks - meters	11,520,000	11,520,000
Capacity utilized	78%	81%
Actual production of cloth - meters	9,627,896	9,848,693
Actual production of cloth converted at 60 picks at 100% efficiency - meters	8,988,091	9,303,094
Number of shifts per day	3	3
Number of shifts worked	917	896



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**38 NUMBER OF EMPLOYEES**

Total number of employees at the end of the year  
Average number of employees during the year

2014	2013
782	926
871	858

**39 DATE OF AUTHORIZATION FOR ISSUE**

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

**40 GENERAL**

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR



**FORM OF PROXY  
REDCO TEXTILES LIMITED**

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

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

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

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

Appoint \_\_\_\_\_

Of \_\_\_\_\_

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

Of \_\_\_\_\_

As my/ our proxy to attend and vote for me/ us on my/ our behalf, at the 23<sup>rd</sup> Annual General Meeting of the company to be held on 31<sup>st</sup> day of October, 2014 at 11:30 am and at every adjournment thereof.

As witness me/ our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2014



Signed \_\_\_\_\_ day of \_\_\_\_\_ 2014  
(Signature appended above should agree with the specimen signatures registered with the company)

**NOTE:**

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

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





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# REDCO TEXTILES LIMITED

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