

***"Say No To Corruption"***



Annual Report 2018



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**REDCO TEXTILES LIMITED**

ISO 9001 2000 Certified

## Company Information

### Board of Directors

Ms. Sarah Saif Khan  
Chief Executive

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

### Chief Financial Officer / Company Secretary

Mr. Monim Ul Haq

### Auditors

Mushtaq & Co, Chartered Accountants

### Audit Committee

Mrs. Irfan Ahmed Siddiqi	Chairperson
Mrs. Muniza Saif Khan	Member
Mrs. Taufiqa Amanullah Khan	Member

### HR and Remuneration Committee

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

### Registered Office

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

### Mills

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



**REDCO TEXTILES LIMITED**

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## VISION

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

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

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







**REDCO TEXTILES LIMITED**

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## MISSION

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

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





## **NOTICE OF 27<sup>th</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that 27<sup>th</sup> Annual General Meeting of the members of Redco Textiles Limited will be held at its Registered Office at Redco Arcade, 78-E, Blue Area, Islamabad on **Saturday 27<sup>th</sup> October 2018 at 10:00 AM** to transact the following business:

### **Ordinary Business:**

- 1) To confirm the minutes of last General Meeting held on 31<sup>st</sup> October 2017.
- 2) To receive, consider and adopt the Annual Audited Financial statements for the year ended June 30<sup>th</sup> 2018 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending June 30<sup>th</sup> 2019 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  
**(Monim UI Haq)**  
Company Secretary

Islamabad  
October 06, 2018

### **Notes:**

- a) The Share Transfer Book of the Company will remain closed from 20<sup>th</sup> October to 27<sup>th</sup> October, 2018 (both days inclusive).
- b) A member entitles to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote.
- c) The proxy to be valid must be in writing and received at the registered office of the company not later than 48 hours before the time of meeting and must be stamped, signed and witnessed.
- d) Members are requested to notify the Company regarding change in their addresses, if any.
- e) CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number, for identification purpose.

## DIRECTOR'S REPORT

The Directors of Redco Textiles Limited are pleased to present the 27<sup>th</sup> Annual Report along with Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2018 and other required information prescribed under the Code of Corporate Governance.

### Overview

More than hundred and twenty textile mills of Punjab close their units due to non-viability and competitiveness of the industry. The government had failed to reduce their cost of business especially power tariff, ban imported yarn and fabrics and announce the much delayed textile bailout package. Therefore, due to high cost of doing business the textile sector had nothing to offer their international buyers against the regional competitors. The cost of doing business in the textile sector has gone through the roof and the burden of incidental taxes, provincial cess, system inefficiencies and the punitive withholding tax regime have added fuel to the fire. Now the directors believe that it was a wiser decision to temporarily close the operations of its weaving unit on November 16, 2017 as currently there are no sign of positive change in this sector. The directors already injected a lot and committed to support further subject improvement in market condition in the textile industry. As such decision of closure of business would avoid further heavy losses to the Company. The management intends to resume its operation after balancing, modernization and replacement (BMR) of plant and machinery of its spinning unit.

The Company has incurred a gross loss of PKR 192.856 Million during the year ended 30th June 2018 and net after tax loss of Rs. 520.427 Million with negative EPS of PKR 10.588 per share. The continuing slide in the overall export, both in value and quantity terms is an alarming sign for the country's economy. The Financial year 2018 was a turbulent year. Yarn and fabric prices remain depressed due to low demand internationally as well as for the domestic market.

### Operational Performance

Due to a declining trend in the textile business in the current year and tough business and economic conditions, mainly due to global recession and comparatively high cost of production compared to our neighboring countries the company posted a loss before taxation for the year ended 30th June 2018 of PKR 503.362 Million (30th June 2017: PKR 157.077 Million). The performance of the year under review may be compared against the preceding year below:

	2018 Rupees	2017 Rupees
Sales - net	441,264,370	1,816,846,285
Cost of sales	634,120,007	1,922,636,708
Gross loss	(192,855,637)	(105,790,423)
Distribution cost	4,792,849	8,135,139
Administrative expenses	14,864,963	18,012,391
Other operating expenses	284,932,633	5,116,680
	304,590,455	31,264,210
Operating loss	(497,446,082)	(137,054,633)
Other operating income	22,306	41,450
	(497,423,776)	(137,013,183)
Finance cost	5,938,624	20,064,122
Loss before taxation	(503,362,400)	(157,077,305)

During the year ended June 30, 2018 sales have reduced from PKR 1.817 billion to PKR 0.441 billion as compared to last year as production process was temporarily stopped since November 2018 which also resulted in gross loss for the year under review is amounting to PKR 192.856 million as compared to gross loss PKR 105.790 million in the prior year. Whereas, loss before taxation for the year under review is amounting to PKR 503.362 million as compared to loss before tax of PKR 157.077 million in prior year.

#### **Acknowledgment**

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

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

#### **Future Prospects**

The overall performance of textile sectors is contingent upon the quality of cotton crops and costs of other inputs as the same determine competitiveness of our products in the international market. Currently the textile sector lacks international competitiveness due to higher cost of production as compared to other countries thus remedial measures needs to be taken by government to address the concerns of textile sector. We had to close down our spinning and weaving units because of losses, and have therefore been able to plug excessive drainage of liquidity. The current market is not very favorable and we are foreseeing another challenging year ahead of us. Pakistan is slowly emerging from long term power crises, the textile sector was once a booming sector with an employment engine of around 30% of working population is scrambling to find its feet. The high energy costs and decade lost to competitors mean recovery is still far from assured.

#### **Dividend Distribution**

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

#### **Statement of Corporate and Financial Reporting Framework**

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

1. The financial statements presented by the management of the company presents fairly its affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account of the company have been maintained.
3. International Financial Reporting Standards (IFRS) and International Auditing Standards (IAS), as applicable in Pakistan have been followed in preparation of financial statements; any departure there from has been adequately disclosed.
4. Appropriate accounting policies have been consistently applied in preparation of financial statements.
5. The system of internal control is sound in design and it has been effectively implemented and monitored .The process review will continue and any weakness in internal control will be removed.
6. There are significant doubts upon the Company's ability to continue as a going concern as mentioned in Auditor's Report Para Material Uncertainty related to Going Concern. The Company has given significant plans to substantiate the going concern assumptions as mentioned in notes to the Financial Statements Para 2.2
7. There has been no material departure from the best practices of corporate governance as detailed in listing regulations.

8. Key operating financial data for the last five years in summary form is annexed.
9. There are no levies and penalties due as on June 30, 2018.
10. Pattern of shareholding and additional data is annexed.
11. None of the directors, CEO, CFO or Company Secretary or their spouses or minor children have traded in the shares of the company during the year.

### Board Meetings

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

Sr.	Director Name	Attendance
1	Ms. Sarah Saif Khan	5
2	Mrs. Muniza Saif Khan	5
3	Mrs. Taufiq Amanullah Khan	5
4	Mrs. Irfan Ahmed Siddiqi	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 the audit committee members are given in the 'Company Information page'.

### HR and Remuneration Committee

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

### External Auditors

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

**For and on behalf of the Board,**

**Chief Executive**

Dated: October 05, 2018

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
REDCO TEXTILES LIMITED  
FOR THE YEAR ENDING JUNE 30, 2018**

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

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

Category	Directors
Independent Director	Mr. Irfan Ahmed Siddiqi
Other Non-executive Directors	Mrs. Muniza Saif Khan
	Mrs. Taufiq Amanullah Khan
	Mrs. Ahsan ur Rehman Khan
	Mr. Khalid Rehman Khan
Executive Directors	Ms. Sarah Saif Khan
	Mr. Imran Zia (Resigned on September 7, 2018)
	Ms. Ayesha Saif Khan (Appointed on September 7, 2018)

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



a) Audit Committee

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

b) HR and Remuneration Committee

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

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

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

Dated: October 05, 2018



**MUSHTAQ & COMPANY**  
CHARTERED ACCOUNTANTS

H O: 407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 021-32638521-4 Fax: 021-32639843  
Email Address: mushtaq\_vohra@hotmail.com; info@mushtaqandcompany.com



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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Redco Textiles Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

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

**Paragraph Reference  
Description**

**Paragraph Reference Description**

10

Company Secretary and CFO is same person.

Place: Karachi  
Dated: October 05, 2018

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner:**  
Mushtaq Ahmed Vohra, FCA





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## **MUSHTAQ & COMPANY**

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

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

##### *Opinion*

We have audited the annexed financial statements of Redco Textiles Limited, which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

##### *Basis for Opinion*

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

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

We draw attention to note 2.2 in the financial statements which indicates that the Company has ceased the production of its spinning unit since April 19, 2017 and temporarily closed the production of its weaving unit. The company has incurred a net loss of Rupees 520.43 million during the year ended June 30, 2018 and as of that date, the Company's current liabilities exceed its current assets by Rupees 835.42 million. These conditions, along with other matters as explained in note 2.2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In addition to matter described in *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Lahore Office: 501-B, City Towers, Gulberg-II, Lahore. Tel: 042-35788637 Fax: 042-35788626

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

# MUSHTAQ & COMPANY

## CHARTERED ACCOUNTANTS

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### Key audit matter(s)

### How the matter was addressed in our audit

#### 1 Preparation of Financial Statements Under Companies Act, 2017

As referred in note 3 to the annexed financial statements, the Companies Act, 2017 (the Act) had been promulgated on May 30, 2017. The financial statements for year ended as on June 30, 2018 are prepared under first time application of the Act.

The Act and 4<sup>th</sup> schedule has revised the disclosure requirements of repealed Companies Ordinance 1984 and 4<sup>th</sup> Schedule. Some disclosures which are duplicative to the IFRS disclosures requirements are eliminated and some additional significant disclosures are required.

Management performed the comparison of old and new disclosure requirements of 4<sup>th</sup> schedule in order to identify the changes in new reporting framework and assessed the impacts of such changes.

This transition to new reporting framework is considered as key audit matter because of their significant impacts in the financial statements.

Our audit procedures in respect of this area included:

- We obtained an understanding of the related provisions and schedules of the Act applicable to the Company and prepared a checklist to assess the Company's compliance with the disclosure requirement of the Act and 4<sup>th</sup> schedule.
- Discussed with the management and those charged with governance about how the Company is in compliance with all such changes.

We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act.

#### 2 Contingent Liabilities

The Company has disclosed significant open legal cases and other contingencies in Note 26. The assessment of the existence of the present legal obligation, and analysis of a reliable estimate, requires management's judgement to ensure appropriate accounting or disclosures.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mushtaq Ahmed Vohra, FCA.

**MUSHTAQ & CO**  
Chartered Accountants

Karachi.  
Dated: October 05, 2018

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





## FINANCIAL HIGHLIGHTS

2018	2017	2016	2015	2014	2013
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(Rupees in thousands)

### Profit and Loss

Net Sales	441,264	1,816,846	1,742,092	1,677,975	2,211,316	2,438,127
Gross Profit/ (Loss)	(192,856)	(105,790)	(14,755)	40,294	69,365	79,827
Profit/ (Loss) Before Taxation	(503,362)	(157,077)	(67,764)	(15,394)	24,358	32,296
Profit/ (Loss) After Taxation	(520,427)	(177,047)	(82,472)	(19,571)	5,417	21,524

### Cash Outflows

Taxes Paid	4,192	23,469	13,870	17,016	23,098	15,835
Financial Charges Paid	7,931	21,170	25,623	22,396	12,722	14,767
Fixed Capital Expenditures	98	24,935	25,717	185,691	106,101	3,997

### Balance Sheet

Current Assets	201,258	620,994	604,344	568,818	612,400	660,705
Current Liabilities	1,036,681	1,284,704	1,088,448	966,413	272,215	306,087
Operating Fixed Assets	811,081	1,045,847	1,081,183	1,112,302	982,386	924,456
Total Assets	1,018,237	1,672,731	1,690,754	1,686,115	1,599,822	1,590,182
Shareholders Equity	(24,008)	369,995	551,245	409,627	424,388	409,734

### Ratios

Current Ratio	0.19:1	0.48:1	0.56:1	0.59:1	2.25:1	2.16:1
Gross Profit/ (Loss) %	(43.71)	(5.82)	(0.85)	2.40	3.14	3.27
Profit/ (Loss) Before Taxation %	(114.07)	(8.65)	(3.89)	(0.92)	1.10	1.32
Earning Per Share %	(10.56)	(3.59)	(1.67)	(0.40)	0.11	0.44

### Production Machines

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



# REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

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

**FORM 34**

1.1 Name of the Company

**Redco Textiles Limited**

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

**30-06-2018**

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
36	1	100	1,269
488	101	500	237,820
117	501	1000	117,000
243	1001	5000	747,457
89	5001	10000	706,528
31	10001	15000	410,223
24	15001	20000	441,216
16	20001	25000	380,300
6	25001	30000	168,587
7	30001	35000	233,000
9	35001	40000	347,800
3	40001	45000	127,600
7	45001	50000	345,300
5	55001	60000	291,000
1	60001	65000	62,000
2	65001	70000	133,500
2	70001	75000	146,000
2	75001	80000	153,700
1	85001	90000	88,700
2	95001	100000	200,000
1	100001	105000	104,800
1	105001	110000	106,100
1	115001	120000	118,000
1	120001	125000	122,800
1	125001	130000	125,500
1	130001	135000	133,500
1	140001	145000	142,400
2	145001	150000	294,800
2	175001	180000	353,300
1	205001	210000	205,500
1	220001	225000	223,500
1	235001	240000	235,500
1	265001	270000	265,400
1	290001	295000	294,700
1	440001	445000	442,300
1	445001	450000	448,800
1	625001	630000	627,500
1	880001	885000	884,600
1	1105001	1110000	1,105,750
1	1960001	1965000	1,965,000
1	8220001	8225000	8,223,300
1	13365001	13370000	13,365,400
1	14165001	14170000	14,165,150
1116			<b>49,292,600</b>

<b>2.3 Categories of shareholders</b>	<b>Share held</b>	<b>Percentage</b>
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	28,150,750	57.1095%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	416,400	0.8448%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,011,322	2.0517%
2.3.5 Insurance Companies	1,965,000	3.9864%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Share holders holding 10% or more	35,753,850	72.5339%
2.3.8 General Public		
a. Local	16,556,827	33.5889%
b. Foreign	4,000	0.0081%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	543,001	1.1016%
2- Investment Companies	645,300	1.3091%

**Redco Textiles Limited**  
**Catagories of Shareholding required under Code of Coprorate Governance (CCG)**  
**As on June 30, 2018**

Sr. No.	Name	No. of Shares	Percentage
---------	------	---------------	------------

**Associated Companies, Undertakings and Related Parties (Name Wise Detail):**

- -

**Mutual Funds (Name Wise Detail)**

- -

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

1	MRS. TAUFIQA AMANULLAH KHAN	442,300	0.8973%
2	MRS. MUNEZA SAIF-UR-REHMAN KHAN	176,400	0.3579%
3	MR. IRFAN AHMED SIDDIQI	500	0.0010%
4	MRS. 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**

2,976,322 6.0381%

**Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

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

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

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

S.No	NAME	SALE	PURCHASE
------	------	------	----------

NIL





# REDCO TEXTILES LIMITED

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## REDCO TEXTILES LIMITED

### BALANCE SHEET

AS AT JUNE 30, 2018

			(Re-stated)	(Re-stated)
				July 1,
				2016
	Note	2018 Rupees	2017 Rupees	Rupees
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	7	811,080,931	1,045,847,046	1,081,182,819
Long term investment	8	77,810	70,345	69,035
Long term deposits	9	5,819,879	5,819,879	5,157,879
		<b>816,978,620</b>	<b>1,051,737,270</b>	<b>1,086,409,733</b>
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	10	41,307,000	49,782,209	48,373,840
Stock in trade	11	1,073,376	306,112,244	327,457,466
Trade debts	12	66,942,002	147,779,139	137,062,221
Loans and advances	13	31,244,118	41,499,291	31,443,739
Trade deposits and short term prepayments	14	57,534	57,732	807,145
Tax refunds due from Government	15	59,938,982	61,234,680	55,940,809
Cash and bank balances	16	695,291	14,528,417	3,258,827
		<b>201,258,303</b>	<b>620,993,712</b>	<b>604,344,047</b>
<b>TOTAL ASSETS</b>		<b>1,018,236,923</b>	<b>1,672,730,982</b>	<b>1,690,753,780</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized capital				
50,000,000 (June 30, 2017: 50,000,000) ordinary shares of Rs.10 each		500,000,000	500,000,000	500,000,000
Issued, subscribed and paid up capital	17	492,926,000	492,926,000	492,926,000
Reserves		22,735	15,270	13,960
Accumulated loss		(825,360,567)	(340,267,139)	(165,002,722)
Surplus on revaluation of property plant and equipment - Net of tax	18	308,403,505	217,320,455	223,308,148
		<b>(24,008,327)</b>	<b>369,994,586</b>	<b>551,245,386</b>
<b>NON CURRENT LIABILITIES</b>				
Long term financing from banking companies	19	-	7,692,304	38,461,536
Deferred liabilities	20	5,563,912	10,339,967	12,598,609
		<b>5,563,912</b>	<b>18,032,271</b>	<b>51,060,145</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21	77,116,204	239,888,312	225,054,224
Accrued mark up / interest	22	514,481	2,506,805	3,612,530
Short term borrowings from banking companies	23	16,942,607	71,339,951	96,464,936
Short term borrowings from associated undertakings	24	637,824,722	592,931,873	483,062,651
Short term borrowings from directors and others	25	296,591,020	347,267,952	249,484,676
Current portion of :				
Long term financing from banking companies		7,692,304	30,769,232	30,769,232
		<b>1,036,681,338</b>	<b>1,284,704,125</b>	<b>1,088,448,249</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,018,236,923</b>	<b>1,672,730,982</b>	<b>1,690,753,780</b>

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

			(Re-stated)
	Note	2018 Rupees	2017 Rupees
Sales	27	441,264,370	1,816,846,285
Cost of sales	28	634,120,007	1,922,636,708
Gross loss		(192,855,637)	(105,790,423)
Distribution cost	29	4,792,849	8,135,139
Administrative expenses	30	14,864,963	18,012,391
Other operating expenses	31	284,932,633	5,116,680
		304,590,445	31,264,210
Operating loss		(497,446,082)	(137,054,633)
Other income	32	22,306	41,450
		(497,423,776)	(137,013,183)
Finance cost	33	5,938,624	20,064,122
Loss before taxation		(503,362,400)	(157,077,305)
Taxation	34	(17,064,218)	(19,969,809)
Loss for the year		(520,426,618)	(177,047,114)
Loss per share - basic and diluted	35	(10.558)	(3.592)

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCE OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	(Re-stated) 2017 Rupees
Loss for the year		(520,426,618)	(177,047,114)
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Gain on revaluation of land and buildings - net		121,313,064	-
Impact of deferred tax - net		8,162,611	-
Effect of rate change		1,539,305	-
		131,014,980	-
Adjustment of surplus on revaluation of property, plant and equipment due to change in tax rate			
<b>Available for sale financial assets</b>			
Fair value Gain / (loss) arised during the period		7,465	1,310
		7,465	1,310
<b>Items that will never be reclassified subsequently to profit and loss</b>			
Re-measurement on staff retirement benefits		(6,473,735)	(5,999,969)
Deferred tax on remeasurement of staff retirement benefits		1,874,995	1,794,973
		(4,598,740)	(4,204,996)
Total comprehensive loss for the year		(394,002,913)	(181,250,800)

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCE OFFICER

**REDCO TEXTILES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Reserves		Revenue Reserves	Total equity
		Unrealized gain on available for sale investment	Revaluation Surplus	Accumulated loss	
Rupees					
Balance as at July 01, 2016	492,926,000	13,960	-	(165,002,722)	327,937,238
Impact of Re-statement - note 6	-	-	223,308,148	-	223,308,148
Balance as at July 01, 2016	492,926,000	13,960	223,308,148	(165,002,722)	551,245,386
Total comprehensive loss for the year					
Loss for the year				(181,252,110)	(181,252,110)
Other comprehensive income	-	1,310	-	-	1,310
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	(5,987,693)	5,987,693	-
Balance as at June 30, 2017	492,926,000	15,270	217,320,455	(340,267,139)	369,994,586
Total comprehensive Gain / (loss) for the year					
Loss for the year	-	-	-	(520,426,618)	(520,426,618)
Other Comprehensive income	-	7,465	131,014,980	(4,598,740)	126,423,706
Realised on disposal of fixed assets	-	-	(34,498,623)	34,498,623	-
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment (Net of deffered tax)	-	-	(5,433,308)	5,433,308	-
Balance as at June 30, 2018	492,926,000	22,735	308,403,505	(825,360,567)	(24,008,327)

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCE OFFICER



# REDCO TEXTILES LIMITED

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## REDCO TEXTILES LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(503,362,400)	(157,077,305)
Adjustments for :			
Depreciation		54,113,055	60,270,608
Provision for staff retirement benefits - gratuity		921,004	2,956,434
Impairment loss on Revaluation of fixed assets		80,679,670	
Loss on sale of property, plant and equipment		200,284,854	-
Finance cost		5,938,624	20,064,122
		341,937,207	83,291,165
Operating (loss) / profit before working capital changes		(161,425,193)	(73,786,140)
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		8,475,209	(1,408,369)
Stock in trade		305,038,868	21,345,222
Trade debts		80,837,137	(10,716,918)
Loan & Advances and Trade deposits		10,255,371	(9,306,139)
Increase / (decrease) in current liabilities			
Trade and other payables		(163,226,508)	14,834,088
		241,380,077	14,747,884
Cash (used in)/generated from operations		79,954,884	(59,038,256)
Staff retirement benefits - gratuity paid		(11,716,394)	(11,215,045)
Finance cost paid		(7,930,948)	(21,169,848)
Taxes paid		(4,191,609)	(23,468,707)
		(23,838,951)	(55,853,600)
Net cash (used in)/generated from operating activities		56,115,933	(114,891,856)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment - acquired		(98,400)	(24,934,836)
Proceeds form sale of property, plant and equipment		21,100,000	
Long term deposits		-	(662,000)
Net cash (used in)/generated from investing activities		21,001,600	(25,596,836)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings from banking companies		(54,397,344)	(25,124,985)
Short term borrowings from associated undertakings		44,892,849	109,869,222
Short term borrowings from directors and others		(50,676,932)	97,783,276
Long term financing from banking companies		(30,769,232)	(30,769,232)
Net cash generated from/(used in) financing activities		(90,950,659)	151,758,281
Increase / (Decrease) in cash and cash equivalents		(13,833,126)	11,269,589
Cash and cash equivalents at the beginning of the year		14,528,417	3,258,827
Cash and cash equivalents at the end of the year	16	695,291	14,528,417

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCE OFFICER

**REDCO TEXTILES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1 STATUS AND NATURE OF BUSINESS**

**1.1** 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 Pakistan Stock Exchanges. Redco's principal activities include manufacture and sale of yarn and grey fabric. The registered office of the Company is situated at 78-E, Redco Arcade, Blue Area, Islamabad.

**1.2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All significant events and transactions have been properly disclosed in the financial statements.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the international Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and Provision of and directives issued under the Companies Act, 2017. Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Going Concern Assumption**

Company has Ceased production of its spinning unit since 19th April 2017 and temporarily closed weaving unit since 10th November 2017 respectively to protect entity from further losses. The management intends to resume its operations after Balancing, modernization and replacement (BMR) of plant and machinery of spinning unit. The company had incurred a loss for the year ended June 30, 2017 of Rupees 520.426 million (June 30, 2017: Rupees 177.047 million) and as of that date, reported accumulated loss of Rs. 825.36 million (June 30, 2017 : Rs. 340.267 million) against the issued, subscribed and paid up capital of Rs. 492.926 million (June 30, 2017 : Rs. 492.926 million). The current liabilities exceeds the current assets by Rs. 835.42 million (June 30, 2017 : Rs. 663.71 million). The main reason of loss is due to decline in fabric market on which main cash inflows streams of the entity was dependent. Also fall in sale prices of fabrics and shrink margins, electricity and gas crisis, and major consumption rate variance, impacting and contributing towards losses. These conditions along with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on going concern assumption as the directors of the company have plans to restart the operations in near future. A comprehensive plan has been formulated to balancing, modernization and replacement (BMR). The management is in the process of arrangement of finances from bank to execute BMR. Also, Directors have conveyed their commitment for providing financial support.

**2.3 Functional and presentation currency**

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

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

**2.4.1 Standards, amendments or interpretations which became effective during the year:**

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting period beginning on or after 1 July 2017 and Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- **Amendments to IAS 12, 'Income taxes'** are applicable for annual periods beginning on or after January 01, 2017. The amendment clarifies that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- **Amendments to IAS 7, 'Statement of cash flows'** are applicable for annual periods beginning on or after January 01, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

- **IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018.** The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.
- **IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018).** IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- **IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019.** IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.
- **IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after January 01, 2019).** This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

**2.4.3** 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 The change may impact the disclosures of the Company's annual financial statements.**

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 7, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

### **4 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 5. 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.

#### **4.1 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.

#### **4.2 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.

#### 4.3 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.

#### 4.4 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.

### 5 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.

#### 5.1 Property, plant and equipment

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

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

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

Amount equivalent to incremental depreciation charged on revalued assets is transferred from surplus on revaluation of 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 rewards incidental to the ownership have been transferred to buyers. Gains and losses on disposal of operating fixed assets are taken to profit and loss account.

#### 5.2 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.

#### 5.3 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.

#### 5.4 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.

#### 5.5 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.



#### 5.6 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.

#### 5.7 Other receivables

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

#### 5.8 Cash and bank balances

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

#### 5.9 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, 2018 using the Projected Unit Credit method.

#### 5.10 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.

#### 5.11 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.

#### 5.12 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.

#### 5.13 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.

#### 5.14 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.

#### 5.15 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.

#### 5.16 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.

#### 5.17 Dividend and apportioning to reserves

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

#### 5.18 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.

#### 5.19 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.

#### 5.20 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.

### 6 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the Revaluation surplus on land and building to retained earnings.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.



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The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	As re-stated	Re - statement	As previously reported	As re-stated	Re - statement
	Rupees					
<b>Effect on statement of financial position</b>						
Surplus on revaluation of fixed assets	217,320,455		(217,320,455)	223,308,148		(223,308,148)
Share capital and reserves		217,320,455	217,320,455		223,308,148	223,308,148
<b>Effect on statement of changes in equity</b>						
Capital reserve		217,320,455	217,320,455			
				For the year ended June 30, 2017		
				As previously	As re-stated	Re - statement
				Rupees		

## Effect on statement of other comprehensive income

Gain on revaluation of land and buildings - net of deferred tax

- - -

There was no cash flow impact as a result of the retrospective application of change in accounting policy.



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## 7 PROPERTY, PLANT AND EQUIPMENT

		Note	2018 Rupees	2017 Rupees
	Non operating fixed assets	7.1	811,080,931	1,045,847,046
			811,080,931	1,045,847,046

### 7.1 Non operating fixed assets

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

PARTICULARS	COST / REVALUATION					DEPRECIATION						BOOK VALUE
	As at July 1, 2016	Additions / Adjustments	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2017	Rate	As at July 1, 2016	For the year	Deletion/ Transfer	Addition due to surplus revaluation	As at June 30, 2017	As at June 30, 2017
OWNED ASSETS												
Freehold land	124,550,000	-	-	-	124,550,000	-	-	-	-	-	-	124,550,000
Building on free hold land	281,475,151	-	-	-	281,475,151	0.05	133,110,051	7,418,255	-	-	140,528,306	140,946,845
Plant and machinery	1,175,170,259	-	-	-	1,175,170,259	0.05	485,245,259	34,496,250	-	-	519,741,509	655,428,750
Generators	98,779,737	15,821,164	-	-	114,600,901	0.05	35,779,737	3,458,539	-	-	39,238,275	75,362,626
Tools and equipment	25,320,122	-	-	-	25,320,122	0.05	12,386,782	646,667	-	-	13,033,449	12,286,673
Tools	121,940,071	8,707,272	-	-	130,647,342	0.33	86,676,962	13,490,331	-	-	100,167,293	30,480,049
Vehicles	9,659,800	-	-	-	9,659,800	0.20	7,032,526	525,455	-	-	7,557,981	2,101,819
Furniture and fixtures	2,343,237	-	-	-	2,343,237	0.05	1,193,996	57,462	-	-	1,251,458	1,091,779
Office equipment	4,110,405	406,400	-	-	4,516,805	0.05	2,046,696	112,348	-	-	2,159,044	2,357,762
Laboratory equipment	6,028,249	-	-	-	6,028,249	0.05	4,722,204	65,302	-	-	4,787,506	1,240,743
Total 2017	1,849,377,031	24,934,836	-	-	1,874,311,867		768,194,212	60,270,608	-	-	828,464,820	1,045,847,046

	Note	2018 Rupees	2017 Rupees
7.2 Depreciation has been allocated as follows			
Cost of sales	28	53,458,177	59,510,042
Administrative expenses	30	654,878	760,567
		<u>54,113,055</u>	<u>60,270,608</u>

7.3 Out of this total impairment loss on plant & machinery, an amount of PKR 57.876 million (June 30, 2017: Nil) has been recorded in the statement of other comprehensive income as a reversal of surplus on revaluation of property, plant and equipment.

### 7.4 Disposal of property, plant and equipment

Particulars	Name of buyer	City	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/Loss
Rupees								
<b>Outsiders</b>								
Spinning Unit	Zafar Iqbal/ Abdul Hafiz	Islamabad	Negotiation	378,829,658	177,228,553	201,601,105	17,000,000	184,601,105
Generator	Mukhtar Cotton Factory	Islamabad	Negotiation	17,884,970	8,076,220	9,808,750	2,000,000	7,808,750
Generator	Irfan Asghar	Islamabad	Negotiation	17,884,970	7,909,970	9,975,000	2,100,000	7,875,000
				<u>396,714,627</u>	<u>185,304,773</u>	<u>211,409,854</u>	<u>19,000,000</u>	<u>200,284,854</u>

7.5 The company has temporarily closed its weaving unit since 10th November 2017 and disposed off parts of its spinning unit with intention to resume its operations after balancing, modification and replacement of plant and machinery.

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

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

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

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

8	LONG TERM INVESTMENT	Note	2018	2017
			Rupees	Rupees
	Available for sale - quoted company	8.1	77,810	70,345
8.1	This represents the investment in 500 (June 30, 2017 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at is Rs. 155.62 (June 30, 2017 : Rs. 140.69) per share.			
9	LONG TERM DEPOSITS	Note	2018	2017
			Rupees	Rupees
	Deposits :			
	WAPDA		2,620,940	2,620,940
	SNGPL		3,121,439	3,121,439
	Others		77,500	77,500
			5,819,879	5,819,879
10	STORES, SPARE PARTS AND LOOSE TOOLS		2018	2017
			Rupees	Rupees
	Stores		35,100,096	40,393,307
	Spares parts		5,655,164	6,771,487
	Packing material		531,342	2,607,692
	Loose tools		20,398	9,723
			41,307,000	49,782,209
11	STOCK IN TRADE		2018	2017
			Rupees	Rupees
	Raw material	11.1	289,088	118,826,611
	Work in process		-	23,781,297
	Finished goods	11.1	748,454	158,053,004
	Waste		35,834	5,451,333
			1,073,376	306,112,244
11.1	These include raw material and finished stocks amounting to Rs. Nil (June 30, 2017 : Rs. 64.794 million) and amounting to Rs. Nil (June 30, 2017 : Rs. 11.347 million) pledged with MCB Bank Limited (formerly NIB Bank Limited) and Bank Alfalah against short term borrowings respectively.			
12	TRADE DEBTS	Note	2018	2017
			Rupees	Rupees
	Unsecured			
	Considered good		66,942,002	147,779,139
	Considered doubtful		11,893,562	9,306,463
			78,835,564	157,085,602
	Less: Provision for doubtful debts	12.1	(11,893,562)	(9,306,463)
			66,942,002	147,779,139
12.1	Provision for doubtful debts			
	Opening balance		9,306,463	6,282,610
	For the year addition		2,587,099	3,023,853
	Trade debts		-	-
	Closing balance		11,893,562	9,306,463

**13 LOANS AND ADVANCES**
**Unsecured - considered good**

Advances to:

Suppliers

Employees

Note

**2018  
Rupees**
**2017  
Rupees**

13.1

 30,267,875  
976,243

 35,589,969  
5,909,322

**31,244,118**
**41,499,291**
**13.1 Employees - unsecured**

Note

**2018  
Rupees**
**2017  
Rupees**

Considered good

Considered doubtful

 976,243  
5,266,941

 5,909,322  
5,266,941

6,243,184

11,176,263

(5,266,941)

(5,266,941)

**976,243**
**5,909,322**

Less: Provision for doubtful advances to employees

13.1.1 These loans are given against the salaries and wages of the employees.

**14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Note

**2018  
Rupees**
**2017  
Rupees**

Short term prepayments

57,534

57,732

**57,534**
**57,732**
**15 TAX REFUNDS DUE FROM GOVERNMENT**

Sales tax refundable

Advance income tax

15.1

 41,896,680  
18,042,302

 41,089,682  
20,144,998

**59,938,982**
**61,234,680**
**15.1 Advance income tax**

Opening balance

Add: Payment / adjustment during the year

 20,144,998  
3,384,611

 26,467,186  
11,852,648

23,529,609

38,319,834

(5,487,307)

(18,174,836)

Adjusted against provision for the year

Closing balance

**18,042,302**
**20,144,998**
**16 CASH AND BANK BALANCES**

Note

**2018  
Rupees**
**2017  
Rupees**

Cash in hand

49,607

398,251

Cash with banks in :

- Current accounts

- Saving accounts

16.1

 613,713  
31,971

 14,052,905  
77,261

645,684

14,130,166

**695,291**
**14,528,417**

16.1 It carries rate of return ranging from 2 % to 5 % (June 30, 2017 : 2 % to 5 %) per annum.



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## 17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
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

17.1 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.

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

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

	Note	2018 Rupees	2017 Rupees
Opening balance - gross		265,991,456	274,545,303
Add:			
Surplus arised during the year-net		129,475,676	-
Related deferred tax liability		(8,162,611)	-
		121,313,064	274,545,303
Less:			
Disposal of fixed assets		34,498,623	-
Related deferred tax liability		14,090,987	-
		48,589,609	-
Less:			
Transferred to equity in respect of:			
Incremental depreciation on revalued assets		5,433,308	5,987,693
Related deferred tax liability		2,219,238	2,566,154
		7,652,546	8,553,847
Closing balance - gross		331,062,365	265,991,456
Less:			
<b>Related deferred tax liability</b>			
Revaluation at the beginning of the year		48,671,001	51,237,155
Related deferred tax liability on addition to surplus		(8,162,611)	-
Effect of change in tax rate		(1,539,305)	-
Amount transferred due to disposal		(14,090,987)	-
Amount realized during the year on account of incremental depreciation		(2,219,238)	(2,566,154)
		22,658,860	48,671,001
Closing balance - net of tax		<b>308,403,505</b>	<b>217,320,455</b>

18.1 Subsequent to revaluation on September 30, 1995, September 30, 1996, September 30, 2004, May 18, 2007, January 2008, June 2012 and June 2016 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 million, surplus of 56.537 and surplus of Rs. 4.088 million respectively, the Free hold land, building on free hold land, plant and machinery and generators have been revalued again on June 30, 2018 resulting in a surplus of Rs. 40.633 million. The revaluation was conducted by an independent valuer M/s. Engineering Pakistan International (Pvt) Limited.

### Basis of revaluation:

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

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

	Note	2018 Rupees	2017 Rupees
Free hold land		21,081,636	21,081,636
Building on free hold land		89,410,893	94,116,730
Plant and machinery		282,500,000	544,092,248
Generators		48,726,205	55,493,522
		<b>441,718,734</b>	<b>714,784,136</b>

		2018 Rupees	2017 Rupees
<b>19 LONG TERM FINANCING FROM BANKING COMPANIES</b>	<b>Note</b>		
-Secured			
Opening balance		38,461,536	69,230,768
Received during the year		-	-
		<u>38,461,536</u>	<u>69,230,768</u>
Payment during the year		(30,769,232)	(30,769,232)
		<u>7,692,304</u>	<u>38,461,536</u>
Current portion		(7,692,304)	(30,769,232)
		<u>-</u>	<u>7,692,304</u>

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

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

		2018 Rupees	2017 Rupees
<b>20 DEFERRED LIABILITIES</b>	<b>Note</b>		
Staff retirement benefits - gratuity	20.1	5,563,912	10,339,967
Deferred taxation	20.2	-	-
		<u>5,563,912</u>	<u>10,339,967</u>
<b>20.1 Staff retirement benefits - gratuity</b>			
Opening balance		10,339,967	12,598,609
Add: Provision for the year		921,004	2,956,434
Remeasurements recognized		6,473,735	5,999,969
		<u>17,734,706</u>	<u>21,555,012</u>
Transferred to Current Maturity		(454,400)	
Less: Paid during the year		11,716,394	11,215,045
		<u>5,563,912</u>	<u>10,339,967</u>
Closing balance			

**20.1.1 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, 2018, using Projected Unit Credit Method.

**20.1.2 Principal actuarial assumptions**

Following are a few important actuarial assumptions used in the valuation:

	Note	2018 Rupees	2017 Rupees
		%	%
Discount rate		8.77%	7.65%
Expected rate of increase in salary		10.00%	10.00%
		Years	Years
Average expected remaining working life time of the employees		2	2





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## 20.1.3 Movement in present value of defined benefit obligation

Present value of defined benefit obligation -Opening balance	10,339,965	12,598,608
Current service cost	513,821	2,391,593
Interest cost	407,183	564,840
Benefits paid during the period	(11,716,394)	(11,215,045)
Transfer to current Maturity	(454,400)	-
Remeasurement loss/ (gain) arising during the year	6,473,735	5,999,969
Closing balance	5,563,911	10,339,965

## 20.1.4 Charge for the year

Current service cost	513,821	2,391,593
Interest cost	407,183	564,840
	921,004	2,956,433

## 20.1.5 Gratuity expenses have been allocated as follows

Cost of goods manufactured	921,004	2,956,433
	921,004	2,956,433

## 20.1.6 Expenses recognized in other comprehensive income

Remeasurement in the year	6,473,735	5,999,969
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## 20.1.7 Sensitivity analysis of actuarial assumption

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

	Increase in assumption	Decrease in assumption
Discount rate	(7,809)	8,278
Expected rate of increase in future salaries	8,107	(7,793)

## 20.1.8 Historical information

	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees
Present value of defined benefits obligation	5,563,911	10,339,965	12,598,608	9,429,293	15,698,024
Experience adjustments on plan liabilities	6,473,735	5,999,969	1,995,365	(4,286,830)	9,034,792

## 20.1.9 Expected gratuity expenses for the year ended June 30, 2019 works out Rs. 959,934.

## 20.2 Deferred taxation

Opening balance	-	-
Add: Provided on surplus during the year	(8,162,611)	-
Less: Reversed on surplus during the year due to rate change	(1,539,305)	-
Add / (less): Provided /(reversed) during the year in profit and loss account	11,576,911	1,796,769
Less: Charged through other comprehensive income due to remeasurements	(1,874,995)	(1,796,769)
	-	-

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

	Note	2018 Rupees	2017 Rupees
Accelerated tax depreciation		54,829,360	131,516,978
Surplus on revaluation of property, plant and equipment		30,821,472	48,671,001
Surplus (reversed)/arised due to revaluation of property plant and equipment		(8,162,611)	-
Staff retirement benefits - gratuity		(1,743,090)	(3,096,438)
Provision for doubtful debts / advances		(4,970,215)	(4,364,196)
Turnover tax carried forward		(74,394,891)	(87,036,543)
Brought forward tax losses		(217,239,078)	(149,871,314)
		(220,859,054)	(64,180,512)
Tax rate used		29%	30%

During the year net deferred tax assets amounting to Rs. 220,859,054 (2016: Rs. 69,784,009) has not been recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

	Note	2018 Rupees	2017 Rupees
<b>21 TRADE AND OTHER PAYABLES</b>			
Creditors		34,088,151	165,319,617
Accrued liabilities		11,448,831	21,178,048
Advances from customers		13,023,749	34,907,447
Withholding tax payable		18,099,360	18,027,086
Workers' welfare fund	21.1	456,113	456,113
		<u>77,116,204</u>	<u>239,888,312</u>
<b>21.1 Workers welfare fund</b>			
Opening balance		456,113	456,113
Provision for the year		-	-
Less: Payment during the year		-	-
		<u>456,113</u>	<u>456,113</u>
<b>22 ACCRUED MARK UP / INTEREST</b>	Note	2018 Rupees	2017 Rupees
Interest / markup accrued on:			
Long term borrowings - Bank Al - Falah Limited		88,190	257,989
Short term borrowings - NIB Bank Limited		-	1,284,298
Short term borrowings - Bank Al - Falah Limited		426,291	964,517
		<u>514,481</u>	<u>2,506,805</u>
<b>23 SHORT TERM BORROWINGS FROM BANKING COMPANIES</b>			
<b>Secured - From banking companies -</b>			
Cash Finance I	23.1	-	46,509,859
Cash Finance II	23.2	16,942,607	19,812,839
Cash Finance III	23.3	-	5,017,253
		<u>16,942,607</u>	<u>71,339,951</u>
<b>23.1</b>	This facility is availed from MCB Bank (formerly NIB Bank Limited) against aggregate limit of Rs. 80 million (June 30, 2017: Rs.80 million) to finance cotton, yarn and fabric with a ratio of 63:19:19 (June 30, 2017 :63:19:19) 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.120 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, 2017: last 7 days' average 3 months KIBOR plus 3%) per annum and payable quarterly. During the year loan outstanding loan is paid off.		
<b>23.2</b>	This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 20 million (June 30, 2017: Rs. 20 million). This facility is secured against first parri passu charge of Rs. 40 million (June 30, 2017: 40 million) on current assets of the company, first pari passu charge of Rs. 295 million (June 30, 2017: 295 million) on fixed assets of the company and personal guarantee of all directors of the company. This facility carry markup at 6 months KIBOR plus 3% (June 30, 2017: 6 months KIBOR plus 3%) per annum payable quarterly.		
<b>23.3</b>	This facility is availed from Bank Al falah Limited against aggregate limit of Rs. 80 million (June 30, 2017: Rs 80 million). This facility is secured against pledge of cotton on market value with 15% margin over Karachi Cotton Association (KCA) rates. It carries markup at 6 months KIBOR plus 3% (June 30, 2017 : 6 months KIBOR plus 3%) per annum. During the year loan outstanding loan is paid off.		
<b>24 SHORT TERM BORROWINGS FROM ASSOCIATED UNDERTAKINGS</b>	Note	2018 Rupees	2017 Rupees
<b>Subordinated to banking companies</b>			
<b>Unsecured - from related parties</b>			
Redco Pakistan Limited	24.1	531,715,257	486,822,408
Royal Holdings (Private) Limited	24.1	106,109,465	106,109,465
		<u>637,824,722</u>	<u>592,931,873</u>

- 24.1 These are unsecured and interest free loans payable to associated undertakings. Out the above balance amount of Rs. 414.766 million (June 30 2017: Rs. 414.766 million) have been subordinated to MCB Bank and Bank Alfalah Limited.

25	SHORT TERM BORROWINGS FROM DIRECTORS AND OTHERS	Note	2018 Rupees	2017 Rupees
	Subordinated to banking companies			
	Unsecured - from directors and sponsors			
	Sponsor			
	Saif-ur-Rehman Khan	25.1	284,373,419	335,050,351
	Chief Executive			
	Ms. Sarah Saif Khan	25.1	5,092,570	5,092,570
	Directors			
	Ahsan-ur- Rehman Khan	25.1	3,525,031	3,525,031
	Mrs. Tufiq Amanullah Khan	25.1	3,600,000	3,600,000
			<u>296,591,020</u>	<u>347,267,952</u>

- 25.1 These are unsecured and interest free loans payable to the directors, chief executive and sponsors. Out the above balance amount of Rs. 247.139 million (June 30 2017: Rs. 247.139 million) have been subordinated to MCB Bank and Bank Alfalah Limited.

## 26 CONTINGENCIES AND COMMITMENTS

### 26.1 CONTINGENCIES

- 26.1.1 The company has availed the facility for issuance of performance guarantees (LG) (Existing) from Bank Alfalah Limited amounting to Rs. 26,940,753 (June 30, 2017 : Rs. 26,940,753). This facility is secured against counter guarantee of the company and carry commission of 0.40% per quarter (June 30, 2017 :0.40% per quarter) maximum tenor: performance bond revolving.
- 26.1.2 The company had filed suit W.P.No. 19030 of 2015 in Honorable Lahore High Court against the recovery of arrears of gas infrastructure development cess (GIDC) on basis of Section 8 (2) of the Gas infrastructure development cess act 2015 (GIDC Act 2015) which categorically grant exemption to such industrial consumers of natural gas. The Honorable Court has granted an interim stay and restraining the Sui Northern Gas pipeline (SNGPL) from recovery of arear amount of GIDC and next hearing is at 16th of October 2018.
- 26.1.3 The company had filed a writ petition in the Honorable Lahore High Court against the recovery of gas tariff difference rate decided from Oil and Gas Regularity Authority (OGRA). Presently, W.P was disposed in our favour on 19-01-2018 but respondents OGRA & Federation of Pakistan has filed appeal befor Supreme Court of Pakistan.No date is fix in this appeal
- 26.1.4 The company has filed petition W.P.No. 49584-2017 against recovery of Arears of RLNG.Presently Arears has been stayed by Lahore High Court Lahore. Next hearing is at 25-10-2018.

### 26.2 COMMITMENTS

Outstanding commitments related to letter of credit for the purchase of cotton yarn at the end of the year equivalent to Pak Rs. Nil. (June 30, 2017: 20.075 million).

27	SALES	Note	2018 Rupees	2017 Rupees
	Local			
	- Yarn		90,825,787	432,901,442
	- Fabric		348,923,124	1,372,119,612
			<u>439,748,911</u>	<u>1,805,021,054</u>
	Waste sale		4,394,987	23,060,558
			<u>444,143,898</u>	<u>1,828,081,613</u>
	Further tax		(1,231,774)	(4,368,280)
	Commission		(1,647,754)	(6,867,048)
			<u>441,264,370</u>	<u>1,816,846,285</u>

	Note	2018 Rupees	2017 Rupees
<b>28 COST OF SALES</b>			
Raw material consumed	28.1	289,172,171	1,324,079,604
Packing material consumed	28.2	580,328	15,356,840
Stores and spare parts and loose tools consumed	28.3	7,044,679	58,996,850
Fuel and power		24,061,714	264,755,254
Salaries, wages and other benefits	28.4	75,309,501	165,016,861
Repairs and maintenance		521,778	6,810,586
Depreciation	7.2	53,458,177	59,510,042
Other expenses		2,885,813	5,771,693
Cost of manufacturing		<b>453,034,161</b>	<b>1,900,297,730</b>
Work in process:			
Opening		23,781,297	39,647,511
Closing		-	(23,781,297)
		<b>23,781,297</b>	<b>15,866,214</b>
Cost of goods manufactured		<b>476,815,458</b>	<b>1,916,163,944</b>
Finished goods:			
Opening		158,053,004	164,525,767
Closing		(748,454)	(158,053,004)
		<b>157,304,550</b>	<b>6,472,763</b>
		<b>634,120,007</b>	<b>1,922,636,708</b>
<b>28.1 Raw material consumed</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Opening		124,277,944	123,284,188
Add: Purchases during the year		165,219,149	1,325,073,359
		<b>289,497,093</b>	<b>1,448,357,547</b>
Closing stock	28.1.1	(324,922)	(124,277,944)
		<b>289,172,171</b>	<b>1,324,079,604</b>
<b>28.1.1</b> This includes usable waste stock of Rs. 35,834 (June 30, 2017: Rs. 5,451,333).			
<b>28.2 Packing material consumed</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Opening stock		2,607,692	4,063,944
Add: Purchases during the year		377,122	
Less: Purchases return during the year		(1,873,144)	13,900,588
		<b>1,111,670</b>	<b>17,964,532</b>
Closing stock		(531,342)	(2,607,692)
		<b>580,328</b>	<b>15,356,840</b>
<b>28.3 Store, spare parts and loose tools consumed</b>	<b>Note</b>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
Opening stock		47,174,518	44,309,896
Add: Purchases during the year		4,236,144	61,861,472
Less: Purchase return during the year		(3,590,325)	-
		<b>47,820,337</b>	<b>106,171,368</b>
Closing stock		(40,775,658)	(47,174,518)
		<b>7,044,679</b>	<b>58,996,850</b>
<b>28.4</b> Salaries, wages and other benefits includes Rs. 921,004 (June 30, 2017: Rs. 2,956,434) in respect of staff retirement benefits - gratuity.			



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29	Distribution cost	Note	2018 Rupees	2017 Rupees
	Salaries and other benefits		3,555,875	5,104,799
	Local taxes, carriage and freight		517,640	2,163,750
	Postage, telephone and telegraph		65,178	67,410
	Traveling and conveyance		654,156	779,455
	Other selling expenses		-	19,725
			<b>4,792,849</b>	<b>8,135,139</b>
30	ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees
	Salaries and other benefits		10,405,169	11,732,040
	Traveling and conveyance		303,570	577,660
	Entertainment		254,308	581,758
	Communication		873,439	922,685
	Printing and stationery		190,032	202,761
	Vehicle running and maintenance		522,408	538,855
	Fee and subscription		100,000	100,000
	Repair and maintenance		75,535	437,738
	Depreciation	7.2	654,878	760,567
	Others		1,485,624	2,158,327
			<b>14,864,963</b>	<b>18,012,391</b>

## 30.1 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:

	2018			2017		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees			Rupees		
Managerial Remuneration	-	1,269,156	6,028,080	-	1,174,578	9,168,910
	-	1,269,156	6,028,080	-	1,174,578	9,168,910
Number of Persons paid	1	1	5	1	1	7

30.1.1 Other than One director, company has not paid any fee or remuneration to executive / non executive directors of the company (June 30, 2017 : Nil).

31	OTHER OPERATING EXPENSES	Note	2018 Rupees	2017 Rupees
	Legal and professional		579,735	1,291,552
	Auditors' remuneration			
	Audit fee		704,275	704,275
	Fee for certification including half yearly review		97,000	97,000
			801,275	801,275
	Provision for doubtful debt		2,587,099	3,023,853
	Impairment loss on fixed assets		80,679,670	-
	Loss on disposal of fixed assets		200,284,854	-
			<b>284,932,633</b>	<b>5,116,680</b>

	Note	2018 Rupees	2017 Rupees
<b>32 OTHER INCOME</b>			
From financial assets			
Dividend		1,620	2,500
Profit on bank deposits		20,686	38,950
		<u>22,306</u>	<u>41,450</u>
<b>33 FINANCE COST</b>			
Mark up / interest on :			
Long term borrowings		2,297,128	5,121,200
Short term borrowings		2,470,198	12,104,536
Bank charges and commission		1,171,297	2,838,386
		<u>5,938,624</u>	<u>20,064,122</u>
<b>34 TAXATION</b>			
<i>Current</i>			
Current year		5,552,019	18,237,383
Prior year		(64,712)	(62,547)
		<u>5,487,307</u>	<u>18,174,836</u>
<i>Deferred</i>			
Current year		11,576,911	1,794,973
		<u>17,064,218</u>	<u>19,969,809</u>

34.1 Numerical reconciliation between average tax rate and applicable tax rate is presented as current tax liability is calculated under minimum tax.

34.2 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, 2017.

34.3 As per management for the year provision of tax made is sufficient. A comparison of income tax provisions and assessment of last three years is given below.

	2017	2016	2015
	Rupees		
Income tax provision for the year - accounts	18,237,133	17,483,463	16,836,391
Income tax as per assessment orders	18,172,671	17,420,916	16,779,753

	Note	2018 Rupees	2017 Rupees
<b>35 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Loss for the year		(520,426,618)	(177,047,114)
		<u>Numbers</u>	<u>Numbers</u>
Weighted average number of ordinary shares outstanding during the year		49,292,600	49,292,600
		<u>Rupees</u>	<u>Rupees</u>
Loss per share - basic		(10.5579)	(3.5918)
There is no dilutive effect on the basic earnings per share of the company.			

### 36 TRANSACTIONS WITH RELATED PARTIES

36.1 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	2018 Rupees	2017 Rupees
Redco Pakistan Limited	Inter company advance / loan - received	48,214,214	120,513,933
Redco Pakistan Limited	Inter company advance / loan - payment	3,321,365	10,644,710

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

Related parties	Nature of transactions	2018 Rupees	2017 Rupees
Saif Ur Rehman Khan	Borrowing from major share holder - receipts	10,978,232	98,656,670
Saif Ur Rehman Khan	Borrowing from major share holder - payment	61,655,164	873,394

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



### 37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 37.1 Credit risk
- 37.2 Liquidity risk
- 37.3 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.

#### 37.1 Credit risk

##### 37.1.1 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. 77.020 millions (June 30, 2017 :174.037 millions), financial assets which are subject to credit risk aggregate to Rs. 76,325 million (June 30, 2017 : Rs. 159.508 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.

	2018 Rupees	2017 Rupees
Long term deposits	5,819,879	5,819,879
Trade debts	66,942,002	147,779,139
Loan and advances	976,243	5,909,322
Cash and bank balances	695,291	14,528,417
	<b>74,433,415</b>	<b>174,036,757</b>

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

	2018 Rupees	2017 Rupees
Yarn	43,100,053	10,762,155
Fabric	34,135,937	145,724,076
Waste	1,599,575	599,371
	<b>78,835,564</b>	<b>157,085,602</b>

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

	Gross debtors	
	2018	2017
	Rupees	
Not past due	-	126,561,019
Past due 90 days - 1 year	60,978,837	11,836,193
More than one year	17,856,726	18,688,390
	<b>78,835,564</b>	<b>157,085,602</b>
Impairment	(11,893,562)	(9,306,463)
	<b>66,942,002</b>	<b>147,779,139</b>

#### 37.2 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.

	2018					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two year	Two to five years
	Rupees					
<b>Non - derivative</b>						
<b>Financial liabilities</b>						
Long term financing from banking companies	7,692,304	8,169,699	8,169,699	-	-	-
Accrued Mark up / interest	514,481	514,481	514,481	-	-	-
Trade and Other Payables	64,092,455	64,092,455	64,092,455			
<b>Short term borrowings:</b>						
from banking companies	16,942,607	17,793,126	17,793,126	-	-	-
from associated undertaking	637,824,722	637,824,722	637,824,722	-	-	-
from directors and others	296,591,020	296,591,020	296,591,020	-	-	-
	<b>1,023,657,589</b>	<b>1,024,985,503</b>	<b>1,024,985,503</b>	<b>-</b>	<b>-</b>	<b>-</b>





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2017

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
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Rupees

## Non - derivative Financial liabilities

Long term financing from banking companies  
Accrued Mark up / interest  
Trade and Other Payables  
Short term borrowings:  
from banking companies  
from associated undertaking  
from directors and others

38,461,536	41,567,380	17,399,667	16,361,611	7,806,102	-	-
2,506,805	2,506,805	2,506,805	-	-	-	-
204,980,865	204,980,865	204,980,865				
71,339,951	77,047,147	77,047,147	-	-	-	-
592,931,873	592,931,873	592,931,873	-	-	-	-
347,267,952	347,267,952	347,267,952	-	-	-	-
1,257,488,934	1,266,301,974	1,242,134,261	16,361,611	7,806,102	-	-

37.2.1 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.

## 37.3 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.

### 37.3.1 Currency risk

#### Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company. The company has not exposed to any currency risk.

### 37.3.2 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.

	2018 Rupees	2017 Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	31,971	77,261
Financial liabilities	24,634,911	109,801,487

#### 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, 2017.

	Profit and loss		Equity	
	100 BP increase	100 BP decrease	100 BP increase	100 BP decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2018	246,349	(246,349)	246,349	(246,349)
Cash flow sensitivity - variable rate instruments 2017	1,098,015	(1,098,015)	1,098,015	(1,098,015)

## 37.4 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.

	2018 Rupees	2017 Rupees
<b>37.5 Off balance sheet items</b>		
Bank guarantees issued in ordinary course of business	26,940,753	26,940,753

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



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## 38 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.

		2018	2017
Borrowings	Rupees	16,942,607	71,339,951
Total equity	Rupees	(7,065,720)	224,014,082
Total capital employed	Rupees	9,876,887	295,354,033
Gearing ratio	Percentage	171.54	24.15

## 39 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.

	2018	2017
<b>Spinning</b>		
Number of spindles installed	-	22,500
Installed capacity at 20's counts based on 1080 shifts - lbs.	-	15,156,000
Capacity utilized	-	59%
Actual production of yarn - lbs.	-	10,541,600
Actual production converted into 20's count - lbs.	-	8,965,805
Number of shifts worked per day	-	3
Number of shifts worked	-	837
<b>Weaving</b>		
Number of looms installed	120	120
Installed capacity at 60 picks - meters	13,540,200	13,540,200
Capacity utilized	19%	78%
Actual production of cloth - meters	2,638,201	12,224,469
Actual production of cloth converted at 60 picks at 100% efficiency - meters	2,538,246	10,580,894
Number of shifts per day	3	3
Number of shifts worked	276	1,061

## 40 NUMBER OF EMPLOYEES

Number of employees worked at June 30		
Head office	10	23
Factory	28	337
Average number of employees worked during the year		
Head office	15	24
Factory	113	711

## 41 DATE OF AUTHORIZATION FOR ISSUE

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

## 42 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCE OFFICER



## بورڈ میٹنگ

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

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

## آڈٹ کمیٹی

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

## HR اور خدمات کے صلی کی کمیٹی

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

## ایکسٹرئل آڈیٹر

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

## بحکم بورڈ آف ڈائریکٹرز

سی۔ ای۔ او

بتاریخ: ۱۰ اکتوبر، ۲۰۱۸



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یونٹ بند کرنا پڑا ہے اور جس کی وجہ سے ہم مزید نقصان سے محفوظ رہے ہیں۔ مارکیٹ کی موجودہ صورتحال فائدہ مند نہیں ہے جس کی وجہ سے ہم آنے والا سال مشکلات سے بھرپور دیکھ رہے ہیں۔ پاکستان آہستہ آہستہ طویل عرصے سے بجلی کے بحرانوں کی لپیٹ میں آ رہا ہے، تقریباً 30 فیصد ورکنگ آبادی کو روزگار فراہم کرنے کے ساتھ کبھی فروغ پانے والا ٹیکسٹائل شعبہ اپنے پیروں پر کھڑا ہونے کی راہیں تلاش کر رہا ہے۔ بجلی کے اعلیٰ اخراجات اور دہائیوں سے حریفوں کے مقابلے نقصان کا مطلب یہ ہے کہ بحالی ابھی تک یقینی نہیں ہے۔

## ڈیوڈنڈ کی تقسیم

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

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

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

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

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

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

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

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

۶۔ کمپنی کے منصوبوں اور امور کی انجام دہی کیلئے اسکی صلاحیت پر شک ہے جسکے ذکر آڈیٹرز رپورٹ کے پیرا غیر یقینی صورتحال میں کیا گیا ہے کمپنی نے اپنی مالیاتی رپورٹ کے پیرا 2.21 میں اس غیر یقینی صورتحال سے نکلنے کے لئے اہم منصوبوں کا ذکر کیا گیا ہے۔

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

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

۹۔ 30 جون 2018ء تک کوئی جرمانہ واجب الادا نہیں ہے۔

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

۱۱۔ کوئی بھی ڈائریکٹر، CEO، CFO یا کمپنی سیکرٹری یا ان کے Spouses یا مائز چائلڈ کمپنی کے حصص کی تجارت میں دوران سال ملوث

نہیں رہے ہیں۔



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

سال 2017 روپے	سال 2018 روپے	
1,816,846,285	441,264,370	خالص فروخت
1,922,636,708	634,120,007	فروخت کی لاگت
(105,790,423)	(192,855,637)	مجموعی خسارہ
8,135,139	4,792,849	ڈسٹری بیوشن لاگت
18,012,391	14,864,963	انتظامی اخراجات
5,116,680	284,932,633	دیگر آپریٹنگ اخراجات
31,264,210	304,590,455	
(137,054,633)	(497,446,082)	آپریٹنگ خسارہ
41,450	22,306	دیگر آپریٹنگ آمدنی
(137,013,183)	(497,423,776)	
20,064,122	5,938,624	فنانس لاگت
(157,077,305)	(503,362,400)	ٹیکس سے پہلے کا خسارہ

اختتام شدہ سال 30 جون 2018ء کے دوران فروخت 1.817 بلین روپے سے 0.441 بلین روپے تک کم ہو گئی ہے۔ کیونکہ پیداوار کا عمل عارضی طور پر نومبر 2018 سے بند ہے جسکی وجہ سے جائزہ پذیر سال میں مجموعی نقصان 192.856 بلین روپے ہے جبکہ پچھلے سال میں 105.790 بلین روپے کا مجموعی نقصان تھا۔ جبکہ موجودہ سال میں ٹیکس سے پہلے نقصان 503.362 بلین روپے ہے، اور پچھلے سال میں ٹیکس سے پہلے نقصان 157.077 بلین روپے تھا

## اعتراف

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

## مستقبل کے امکانات

ٹیکسٹائل شعبہ کی مجموعی کارکردگی کپاس کی فصل کے معیار اور بین الاقوامی مارکیٹ میں ہماری مصنوعات کی مسابقت کے تعین کے لئے دیگر ان پٹ لاگتوں پر منحصر ہے۔ فی الحال ٹیکسٹائل شعبہ میں دیگر ممالک کے مقابلے میں اعلیٰ پیداواری لاگت کی وجہ سے بین الاقوامی مقابلہ کی کمی پائی جاتی ہے چنانچہ ٹیکسٹائل شعبہ کے خدشات کو حل کرنے کے لئے حکومت کی جانب سے انسدادی اقدامات اٹھانے کی ضرورت ہے۔ مستقل نقصان کی وجہ سے ہمیں اپنا سپننگ اور یونگ



## ڈائریکٹرز رپورٹ

ریڈ کو ٹیکسٹائلز لمیٹڈ کے ڈائریکٹرز 27 واں سالانہ میزانیہ بمعہ آڈیٹڈ فنانشل سٹیٹمنٹ اور آڈیٹڈ رپورٹ جو کہ اختتام شدہ سال 30 جون 2018ء کے لیے ہے اور باقی ضروری معلومات جو کہ کوڈ آف کارپوریٹ گورننس میں واضح کی گئی ہیں کو پیش کرتے ہوئے بہت خوشی محسوس کر رہے ہیں

### مجموعی جائزہ :

پنجاب کی ایک سوئیس سے زائد ٹیکسٹائل ملوں نے صنعت کے عدم استحکام اور مسابقت کی وجہ سے اپنے یونٹ بند کر دیئے ہیں۔ حکومت ان کے کاروباری اخراجات کو کم کرنے میں ناکام رہی، خاص طور پر بجلی ٹیرف، درآمد شدہ دھاگہ اور کپڑے پر پابندی اور بہت تاخیر سے ٹیکسٹائل ٹیل آؤٹ پکیج کا اعلان۔ لہذا کاروبار کی اعلیٰ لاگت کی وجہ سے ٹیکسٹائل شعبہ کے پاس علاقائی حریفوں کے مقابلے اپنے بین الاقوامی خریداروں کو پیش کرنے کے لئے کچھ نہیں تھا، ٹیکسٹائل کے شعبے میں کاروبار کی لاگت میں بہت زیادہ اضافہ ہو گیا ہے اور اچانک ٹیکس، صوبائی چندہ، نظام کی کمزوریوں اور تادیبی و دہولڈنگ ٹیکس نظام نے جلتی آگ پر تیل چھڑکا ہے۔ اب ڈائریکٹرز یہ سمجھتے ہیں کہ ویونگ یونٹ کی پیداوار کو 16 نومبر 2017 کو عارضی طور پر بند کرنا ان کا تعلقندانہ فیصلہ تھا کیونکہ فی الحال اس شعبہ میں مثبت تبدیلی نظر نہیں آرہی ہے۔ ڈائریکٹرز نے مالی طور پر بہت معاونت کی اور ٹیکسٹائل انڈسٹری کی مارکیٹ کی حالت میں بہتری کی صورت میں مزید معاونت کے لئے تیار ہیں۔ کاروبار کو بند کرنے کا فیصلہ کمپنی کو مزید بھاری نقصان سے بچائے گا مینجمنٹ ارادہ رکھتی ہے کہ اپنے سپننگ یونٹ کی مشینری اور پلانٹ کے توازن، جدید اور متبادل (BMR) کے بعد پیداوار کا دوبارہ آغاز کرے۔

کمپنی کو اختتام شدہ سال 30 جون 2018 میں مجموعی خسارہ 192.856 ملین روپے رہا اور خالص نقصان بعد از ٹیکس 520.427 ملین روپے رہا اور اس کے ساتھ منفی منافع 10.588 فی حصص رہا۔ برآمدات میں مستقل کمی کے ساتھ ساتھ قیمت اور تعداد کی کمی بھی ملک کی معاشی صورتحال کے لئے خطرناک رہے۔ مالیاتی سال 2018 ایک ہنگامہ خیز سال تھا، بیرونی مارکیٹ اور اندرونی مارکیٹ میں طلب کی کمی کی وجہ سے دھاگہ اور کپڑا کی قیمت کمی کا شکار ہے

### آپریشنل کارکردگی :

موجودہ صورتحال میں ٹیکسٹائل کے کاروبار میں کمی کے رجحان کی وجہ سے اور مشکل کاروباری اور معاشی حالت کی وجہ سے اور اہم طور پر عالمی کساد بازاری کی وجہ سے ہماری پیداوار کی لاگت ہمارے پڑوسی ممالک سے زیادہ ہے۔ کمپنی کو اختتام شدہ سال 30 جون 2018 میں قبل از ٹیکس نقصان 503.362 ملین روپے (30 جون 2017 میں 157.077 ملین روپے) ہے۔



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**FORM OF PROXY  
REDCO TEXTILES LIMITED**

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

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

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

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

Appoint \_\_\_\_\_

Of \_\_\_\_\_

Failing him/ her \_\_\_\_\_

Of \_\_\_\_\_

As my/ our proxy to attend and vote for me/ us on my/ our behalf, at the 27<sup>th</sup> Annual General Meeting of the company to be held on 27<sup>th</sup> day of October, 2018 at 10:00 am and at every adjournment thereof.

As witness me/ our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2018

**Affix  
Revenue  
Stamp**

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2018  
(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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## پراکسی فارم ریڈ کوٹیکسٹائلز لمیٹڈ

لیجر فوئیو نمبر \_\_\_\_\_ اور ریا،

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

کمپنی سیکرٹری

ریڈ کوٹیکسٹائلز لمیٹڈ، ریڈ کوآرکیڈ، 78-E

بلیو ایریا، اسلام آباد۔

میں رہم \_\_\_\_\_ ساکن \_\_\_\_\_

تقرر \_\_\_\_\_

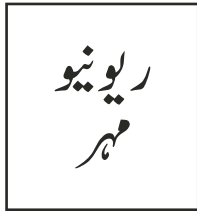
ساکن \_\_\_\_\_

عدم موجودگی مستمسق مسماة \_\_\_\_\_

ساکن \_\_\_\_\_

کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 27 ویں سالانہ اجلاس عام جو بتاریخ 27 اکتوبر 2018ء بوقت 10:00 بجے صبح منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط بقلم خود \_\_\_\_\_ تاریخ ہذا \_\_\_\_\_ مہینہ \_\_\_\_\_ 2018ء



دستخط \_\_\_\_\_ تاریخ ہذا \_\_\_\_\_ مہینہ \_\_\_\_\_ 2018ء

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

## نوٹ

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

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

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

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

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



# REDCO TEXTILES LIMITED

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