



REDCO TEXTILES LIMITED

ISO 9001 Certified

Half Yearly Report as at 31st December 2014

Company Information

Board of Directors

Ms. Sarah Saif khan
Chief Executive

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

Chief Financial Officer / Company Secretary

Mr. Asad Mumtaz Baloch

Auditors

Mushtaq & Co. Chartered Accountants

Audit Committee

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

HR and Remuneration Committee

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

Registered Office

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

Mills

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



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

Directors' Report

Dear Shareholders,

We are pleased to present our half yearly report for your company's performance as at December 31, 2014.

The six months period under review incurred loss before tax of Rs 31.3 million and after tax loss of Rs 40.8 million, as compared to the previous corresponding half year's profit before tax of Rs 18.5 million and after tax of Rs 6.6million.

The highlights of the half year include:

- ❖ Decrease in sales revenue by 31% (Rs 366million) as compared to last year corresponding period due to decrease in production and sale prices of textile items and maximum utilization of our in house yarn production.
- ❖ This half year incurred gross loss of 0.34% (Rs.2.8 millions) as compared to gross profit of 3.9% (Rs.45.7) in previous corresponding period as since start of the year textile sector is under pressure due to reduction in exports of textile products by our main country China. Whereas in the local market prices could not provide reasonable margins & the power crises has further deteriorated since July 2014, greatly impacting the production processes.
- ❖ Increase in financial cost to Rs 11.4 million from Rs 5.1 million in the last corresponding half year as term finance of Rs. 100 million from Bank Alfalah Limited for 24 Air Jet Looms was disbursed in August 2014 and an amount of Rs.5.2 millions incurred in mark up cost

The trend in the second half is expected to illustrate good recovery since our new loom shed of 24 looms has started its full production in the month of December 2014. In addition the fuel prices have decreased by almost 30%, which will reduce the power costs in the upcoming period. We have also got our diesel generators in operation due to the feasibility at the current prices of fuel that would help us to reduce the effect of frequent power outages to maximize utilization of our installed capacity. We are hoping these favorable measures will improve our performance in the forthcoming period.

For and on behalf of the Board,

Chief Executive

Dated: February 26, 2015

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

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

Email Address: mushtaq_vohra@hotmail.com



Illinois, USA

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Redco Textiles Limited** as at December 31, 2014, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2014 and December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

Scope of Review

We conducted our review in accordance with international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:

Date: _____

MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Abdul Qadoos, ACA



REDCO TEXTILES LIMITED

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REDCO TEXTILES LIMITED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2014

	Note	December 31, 2014	June 30, 2014
		Unaudited Rupees	Audited Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,112,174,553	982,386,000
Long term investment		102,935	130,640
Long term deposits and prepayments		4,905,940	4,905,940
		<u>1,117,183,428</u>	<u>987,422,580</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		50,012,992	43,363,242
Stock in trade		303,785,276	283,262,813
Trade debts		170,111,924	149,258,559
Loans and advances		40,129,509	37,966,388
Trade deposits and short term prepayments		5,196,269	39,680,406
Tax refunds due from Government		51,213,461	40,913,362
Cash and bank balances		6,486,026	17,955,129
		<u>626,935,458</u>	<u>612,399,899</u>
TOTAL ASSETS		<u><u>1,744,118,886</u></u>	<u><u>1,599,822,479</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 50,000,000 (June 30, 2014: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital 49,292,600 (June 30, 2014: 49,292,600) ordinary shares of Rs. 10/- each		492,926,000	492,926,000
Reserves		47,860	75,565
Accumulated loss		(106,329,123)	(68,613,968)
		<u>386,644,737</u>	<u>424,387,597</u>
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET OF TAX		224,433,160	227,532,398
NON CURRENT LIABILITIES			
Long term financing from banking companies	6	84,615,384	-
Long term financing from associated undertakings - unsecured	7	415,739,764	415,739,764
Long term financing from directors and others - unsecured	8	247,140,580	246,640,580
Deferred liabilities		24,484,374	13,306,682
		<u>771,980,102</u>	<u>675,687,026</u>
CURRENT LIABILITIES			
Trade and other payables		218,050,887	175,262,844
Accrued mark up / interest		6,309,108	3,065,230
Short term borrowings		100,533,229	68,887,384
Current portion of long term financing from banking companies		15,384,616	-
Current portion of long term financing from associated undertakings		15,000,000	15,000,000
Current portion of long term financing from directors and others		5,783,048	10,000,000
		<u>361,060,888</u>	<u>272,215,458</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u><u>1,744,118,886</u></u>	<u><u>1,599,822,479</u></u>

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

CHIEF EXECUTIVE

DIRECTOR



REDCO TEXTILES LIMITED

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REDCO TEXTILES LIMITED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014

Note	Half Year Ended		Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees	Rupees	Rupees	Rupees
Sales - net	810,569,593	1,176,400,928	438,330,796	580,091,102
Cost of sales	(813,324,449)	(1,130,727,409)	(438,758,569)	(535,739,823)
Gross (loss) / profit	(2,754,857)	45,673,519	(427,773)	44,351,279
Operating expenses				
Distribution cost	(3,907,211)	(6,919,528)	(2,004,791)	(5,094,415)
Administrative expenses	(12,008,077)	(13,438,998)	(6,674,093)	(8,521,241)
Other operating expenses	(1,342,139)	(2,831,944)	(686,660)	(2,253,169)
	(17,257,427)	(23,190,470)	(9,365,544)	(15,868,825)
Operating (loss) / income	(20,012,284)	22,483,049	(9,793,317)	28,482,454
Other operating income	111,419	1,134,927	(67,518)	447,122
Finance cost	(11,425,658)	(5,108,799)	(6,699,851)	(2,918,463)
(Loss) / profit before taxation	(31,326,523)	18,509,177	(16,560,686)	26,011,114
Taxation	(9,487,870)	(11,871,524)	(5,884,957)	(6,292,996)
(Loss) / profit for the period	(40,814,393)	6,637,654	(22,445,643)	19,718,117
(Loss) / earnings per share - basic and diluted	10 (0.828)	0.135	(0.455)	0.400

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

CHIEF EXECUTIVE

DIRECTOR



REDCO TEXTILES LIMITED

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REDCO TEXTILES LIMITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014

	Half Year Ended		Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees		Rupees	
(Loss) / profit for the period	(40,814,393)	6,637,654	(22,445,643)	19,718,117
Other comprehensive income / (loss):				
Item that may be reclassified subsequently to profit and loss				
Available for sale investment				
Fair value (loss) / gain arising during the period	(27,705)	23,804	(27,705)	23,804
Total comprehensive (loss) / income for the period	<u>(40,842,098)</u>	<u>6,661,457</u>	<u>(22,473,348)</u>	<u>19,741,921</u>

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

CHIEF EXECUTIVE

DIRECTOR

REDCO TEXTILES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	December 31, 2014	December 31, 2013
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(31,326,523)	18,509,177
Adjustment for non cash items:		
Depreciation	25,130,834	23,833,829
Provision for staff retirement benefits - gratuity	2,165,000	2,480,000
Provision for workers' profit participation fund	-	999,535
Provision for workers welfare fund	-	481,994
Finance cost	11,425,658	5,108,799
	38,721,492	32,904,158
Operating profit before working capital changes	7,394,969	51,413,335
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(6,649,750)	(7,351,954)
Stock in trade	(20,522,463)	(89,926,646)
Trade debts	(20,853,365)	21,455,683
Loans and advances	(2,163,121)	(15,015,922)
Trade deposits and short term prepayments	34,484,137	(1,482,827)
	(15,704,562)	(92,321,666)
Increase in current liabilities		
Trade and other payables	42,788,043	88,598,668
Cash generated from operations	34,478,449	47,690,337
Staff retirement benefits - gratuity paid	(2,156,500)	(2,435,265)
Interest paid	(8,181,780)	(5,926,714)
Taxes paid	(8,618,777)	(12,668,186)
	(18,957,058)	(21,030,165)
Net cash generated from operating activities	15,521,392	26,660,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment - acquired	(154,919,387)	(25,740,591)
Net cash used in investing activities	(154,919,387)	(25,740,591)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing from directors and others - net	(3,716,952)	(6,500,000)
Long term financing from banking companies	100,000,000	-
Short term borrowings - net	31,645,845	13,920,445
Net cash generated from financing activities	127,928,892	7,420,444
Net (decrease) / increase in cash and cash equivalents	(11,469,103)	8,340,026
Cash and cash equivalents at the beginning of the period	17,955,129	20,974,235
Cash and cash equivalents at the end of the period	6,486,026	29,314,261

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

CHIEF EXECUTIVE

DIRECTOR



REDCO TEXTILES LIMITED

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REDCO TEXTILES LIMITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Share Capital	Reserves	Accumulated loss	Total equity
		Unrealized gain / (loss) on available for sale investment		
Rupees				
Balance as at July 01, 2013 - restated	492,926,000	59,301	(83,251,623)	409,733,678
Total comprehensive income for the half year ended December 31, 2013	-	23,804	6,637,654	6,661,458
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	3,164,972	3,164,972
Balance as at December 31, 2013	<u>492,926,000</u>	<u>83,105</u>	<u>(73,448,998)</u>	<u>419,560,107</u>
Balance as at July 01, 2014	492,926,000	75,565	(68,613,968)	424,387,597
Total comprehensive income for the half year ended December 31, 2014	-	(27,705)	(40,814,393)	(40,842,098)
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	-	3,099,238	3,099,238
Balance as at December 31, 2014	<u>492,926,000</u>	<u>47,860</u>	<u>(106,329,123)</u>	<u>386,644,737</u>

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

CHIEF EXECUTIVE

DIRECTOR

REDCO TEXTILES LIMITED

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2014**

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PRESENTATION

Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting" as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the company as at and for the year ended June 30, 2014.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes for the half year ended December 31, 2014 which have been subject to a review but not audited. These condensed interim financial statements also include the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2014.
- 3.2** Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2014.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.



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		December 31, 2014 Unaudited Rupees	June 30, 2014 Audited Rupees
5 PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	1,078,042,200	930,753,502
Capital Work in progress	5.2	34,132,353	51,632,498
		1,112,174,553	982,386,000
5.1 Operating fixed assets			
Opening written down value		930,753,502	924,455,999
Add: Additions during the period / year	5.1.1	172,419,531	54,468,595
		1,103,173,033	978,924,594
Less: Deletion during the period / year		-	397,664
Less: Depreciation charged during the period / year		25,130,834	47,773,428
		1,078,042,200	930,753,502
5.1.1 Details of additions during the period / year are as follows:			
Plant and machinery		166,168,861	36,429,354
Vehicles		37,863	2,100,000
Tools		6,158,808	15,884,242
Office equipment		54,000	55,000
		172,419,531	54,468,595
5.2 Capital Work in progress			
Building civil works		34,132,353	26,189,888
Plant and machinery		-	25,442,610
		34,132,353	51,632,498

6 LONG TERM FINANCING FROM BANKING COMPANIES

Secured

During the period company has obtained term finance from Bank Al-Falah Limited amounting to Rs. 100 million. The loan is secured against first pari passu charge of Rs. 40 million over current assets, first pari passu charge of Rs. 295 million over the fixed assets of the company and personal guarantee of all the directors. The loan is repayable equal installments over 4 years including 9 months grace period. It carries markup at three months kibar plus three percent per annum payable quarterly.

7 LONG TERM FINANCING FROM ASSOCIATED UNDERTAKINGS - UNSECURED

Redco Pakistan Limited
Royal Holdings (Private) Limited

324,630,299	324,630,299
106,109,465	106,109,465
430,739,764	430,739,764
(15,000,000)	(15,000,000)
415,739,764	415,739,764

Less: Current portion show under current liabilities

- 7.1 These represent interest free, unsecured loans from associated undertakings on long term basis. The amount is not repayable before December 31, 2015 except Rs. 15 million (June 30, 2014: Rs. 15 million) as disclosed above.
- 7.2 Out of the above balance amount of Rs. 414.766 million (June 30, 2014: Rs. 414.766 million) have been subordinated to NIB Bank and Bank Alfalah Limited.

December 31, 2014	June 30, 2014
Unaudited	Audited

Rupees

8 LONG TERM FINANCING FROM DIRECTORS AND OTHERS - UNSECURED

Saif-ur-Rehman
Ms. Sarah Saif Khan (Chief Executive)
Ahsan-ur- Rehman Khan (Director)
Mrs. Tufiq Amanullah Khan (Director)

240,706,027	244,922,979
5,092,570	4,592,570
3,525,031	3,525,031
3,600,000	3,600,000
252,923,628	256,640,580
(5,783,048)	(10,000,000)
247,140,580	246,640,580

Less: Current portion show under current liabilities

- 8.1 These represent interest free loans from directors/sponsor, which have been utilized for the import of machinery as well as for meeting the working capital requirements. The amount is not repayable before December 31, 2015 except the amount disclosed as current portion shown under the current liabilities.
- 8.2 Out of the above balance amount of Rs. 149.947 million (June 30, 2014: Rs. 149.947 million) have been subordinated to NIB Bank and Bank Alfalah Limited.



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9 CONTINGENCIES AND COMMITMENTS

9.1 CONTINGENCIES

The company has availed the facility for issuance of performance guarantees (LG) (Existing) from Bank Alfalah Limited amounting to Rs. 17,232,935 (June 30, 2014: 17,232,935). This facility is secured against counter guarantee of the company and carry commission of 0.40% (June 30, 2014: 0.40%) per quarter (maximum tenor: performance bond revolving).

9.2 COMMITMENTS

There are no commitments outstanding at the end of the period / year.

10 EARNINGS PER SHARE - basic and diluted

	Half Year Ended		Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Profit for the period - rupees	(40,814,393)	6,637,654	(22,445,643)	19,718,117
Weighted average number of ordinary shares - numbers	49,292,600	49,292,600	49,292,600	49,292,600
Earnings per share - Basic - rupees	(0.828)	0.135	(0.455)	0.400

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

11 TRANSACTIONS WITH RELATED PARTIES

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:

Transaction with related parties		December 31, 2014 Unaudited	December 31, 2013 Unaudited
Associated companies	Nature of transaction		
Redco Pakistan	Inter company advance / loans - received	6,566,466	41,500,000
	Inter company advance / loans - payment	6,566,466	21,313,549
Related parties			
Saif Ur Rehman Khan	Long term financing from directors and others - receipts	200,000	6,500,000
	Long term financing from directors and others - payment	4,416,952	-
Ms. Sarah Saif Khan	Long term financing from directors and others - receipts	500,000	-

Balances outstanding at the period end	December 31, 2014 Unaudited	June 30, 2014 Audited
	Rupees	
Directors	(12,217,601)	(11,717,601)
Sponsors	(240,706,027)	(244,922,979)
Associated undertakings	(430,739,764)	(430,739,764)

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

12 CORRESPONDING FIGURES

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

13 DATE OF AUTHORIZATION

These condensed interim financial statements have been authorized for issue by the board of directors of the company on 26th February 2015.

14 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR



REDCO TEXTILES LIMITED

www.redcotextiles.com

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