



Annual Report 2023



**REDCO
TEXTILES LIMITED**

ISO 9001 Certified



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Company Information

Board of Directors

| | |
|--------------------------|-----------------|
| Mrs. Manizah Saif Khan | Chairperson |
| Mrs. Sarah Muhammad Saya | Chief Executive |
| Mr. Junaid Khan | |
| Mr. Irfan Ahmed Siddiqi | |
| Mr. Ahsan Ur Rehman Khan | |
| Ms. Ayesha Saif Khan | |
| Mr. Khalid Rehman Khan | |

Chief Financial Officer

Mr. Monim Ul Haq

Company Secretary

Mr. Muhammad Kashif

Auditors

Mushtaq & Co, Chartered Accountants

Audit Committee

| | |
|--------------------------|----------|
| Mr. Irfan Ahmed Siddiqi | Chairman |
| Mrs. Manizah Saif Khan | Member |
| Mr. Ahsan Ur Rehman Khan | Member |

HR and Remuneration Committee

| | |
|--------------------------|----------|
| Mr. Irfan Ahmed Siddiqi | Chairman |
| Mrs. Sarah Muhammad Saya | Member |
| Mrs. Manizah Saif Khan | Member |

Registered Office

Redco Textiles Limited, Redco Arcade, 78-E, Blue Area, Islamabad 44000, Pakistan.
Tel: (+92-51) 2344251-57 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) 4610401 E-mail: textiles@redcogroup.com



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

VISION

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

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

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





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 32nd ANNUAL GENERAL MEETING

Notice is hereby given that 32nd Annual General Meeting of the members of Redco Textiles Limited will be held at its Registered Office at Redco Arcade, 78-E, Blue Area, Islamabad on **Friday, 27th October 2023** at **09:00 AM** to transact the following business:

Ordinary Business:

- 1) To confirm the minutes of Extraordinary General Meeting held on 10th February 2023.
- 2) To receive, consider and adopt the annual audited financial statements for the year ended 30th June 2023 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending 30th June 2024 and to fix their remuneration. The present Auditors, M/s Mushtaq & Co. Chartered Accountants, being eligible offer themselves for reappointment.

Special Business:

- 4) To ratify and approve the transactions conducted by the Company with related parties as disclosed in the financial statements for the year ended June 30, 2023 by passing the following resolutions with or without modifications as ordinary resolutions:

RESOLVED THAT the transactions conducted with related parties by the Company from time to time as disclosed in the financial statements for the year ended June 30, 2023 be and are hereby ratified, approved and confirmed.

FURTHER RESOLVED THAT the Board of Directors of the Company is authorized to approve the transactions conducted with the related parties as disclosed in the note 37 of the financial statements for the year ended 30 June 2023 be and are hereby ratified, approved and confirmed.

- 5) To consider, ratify and approve the sale of plant and machinery and to utilize sale proceeds to manage capital expenditure and working capital of weaving unit by passing the following resolutions with or without modifications as special resolutions:

RESOLVED THAT consent of shareholders be and is hereby accorded to the disposal and sale of plant and machinery comprised of comber and draw frames.

FURTHER RESOLVED THAT the Board of Directors may authorize Chief Executive Officer (CEO) or any Director or any other person on such terms and conditions as they deem fit, to act on behalf of the Company in doing and performing all acts, matters and deeds to implement and / or give effect to the plant and machinery sale.

Other Business:

- 6) To consider any other business with permission of the chair.

Islamabad
October 05, 2023

Notes:

- a) The Share Transfer Books of the Company will remain closed from 20th October to 27th October 2023 (both days inclusive).
- b) A member entitled to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote.
- c) The proxy to be valid must be in writing and received at the registered office of the company not later than 48 hours before the time of meeting and must be stamped, signed and witnessed.
- d) Members are requested to notify the Company regarding change in their addresses, if any.
- e) CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number, for identification purpose.
- f) Members can also avail video conference facility. In this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

“I/We, _____ of _____, being a member of Redco Textiles Limited, holder of _____ ordinary share(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____.”

Signature of member

Statement Pursuant to Section 134 (3) of the Companies Act, 2017

Pursuant to Section 134 (3) of the Companies Act, 2017, this statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of Redco Textiles Limited to be held on October 27, 2023.

Transactions with Related Parties

During the financial year 2022-23, the Company entered into various transactions with related parties of which the major transactions are with the Sponsor against the purchase of machinery.

Sale of Plant and Machinery

During the financial year 2022-23, the Company purchased plant and machinery, which comprised of comber and draw frames, amounting to Rs. 718 million. Owing to current economic and industrial conditions the management doesn't foresee that it will be beneficial for the Company to operate this machinery. Hence, it is decided to dispose-off this machinery.



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CHAIRMAN'S REVIEW REPORT

I am pleased to present the report on the overall performance of the Board and effectiveness of its role in achieving the Company's objectives as well as ensuring overall compliance of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019. The Board honestly performed its duties in the best interests of the Company and its shareholders. I, as Chairperson of the Board, ensured that the board meetings are held in a pleasant environment focusing on achieving the overall objectives of the Company.

Despite operational difficulties during the financial year 2022-2023, due to exorbitant energy prices, high inflation rates, massive Rupee devaluation against U.S dollar, tighten economic conditions and political unrest, we have been able to post profit through scrupulous efforts.

Redco Textiles Limited complies with all the requirements set out in the Law with respect to the composition, procedures and meetings of the Board of Directors and its committees. Relevant Board agendas and its related supporting documents were duly made available to the board in sufficient time prior to the board and its committee meetings. The Board exercised all its powers in accordance with relevant laws and regulation and the non-executive and independent directors are equally involved in important discussions and decisions of the board.

During the year, Board of Directors focused on the operational strategies and on setting the new financial and operational targets. The Board regularly traced the improvements against the budgeted targets. The sub committees of the Board also performed their functions as per their terms of reference during the year under review. The Board carried out reviews of its success and achievements during the year which were quite satisfactory.

Islamabad
October 04, 2023

Manizah Saif Khan
Chairperson

DIRECTOR'S REPORT

The Directors of Redco Textiles Limited are pleased to present the 32nd Annual Report along with audited annual financial statements and Auditors Report thereon for the year ended June 30, 2023 and other required information prescribed under the Code of Corporate Governance.

Overview

The Company is still carrying on its policy of renewal of plant, machinery and equipment with particular emphasis on improving quality and increasing output in its Weaving division. As part of this process the Company added 20 new Toyota air jet looms in the current period. This will further enhance the production capacity and will result in higher operational efficiency of the unit. The Company was able to post profitability in the current year under review, despite the challenges posed by the high inflation rates in global and local markets, stringent economic conditions and political unrest in the Country.

Pakistan faced extensive floods during the financial year 2022-23, which caused loss of precious human lives, damage to infrastructure, outbreak of various infectious diseases and considerable destruction of agricultural crops, which also includes cotton crop. This, along with higher energy prices, raw materials, interest rates and other inputs is unfavorable for the industry. Due to the need for large imported inputs, there is great pressure on currency and it is losing its value in the international market. The Russia-Ukraine war and in its consequence, the increase in global inflation rates and fuel prices has put the world economies into huge depression. The excessive utility costs have reduced accessible income available with consumers, which has resulted in a drop in demand for non-essential products, like textiles and its related products.

During the year ended 30 June 2023, your company earned a gross profit of Rs. 49.78 million on sales of Rs. 870.96 million, compared to a gross profit of Rs. 65.85 million on sales of Rs. 728.59 million of the previous financial year. During the current financial year, your company recorded a net profit of Rs.77.85 million compared to net profit of Rs. 17.49 million in the corresponding previous year.

Operational and Financial Performance

By the grace of Almighty Allah, the management took steps in the best interest of the company and the results of the Company can be termed as quite satisfactory keeping in view the stringent economic conditions and uncertain political situation which continued throughout the year. The company also made a significant investment in its fixed assets during the current year mainly in its building and machinery.

The profit before taxation for the year ended 30th June 2023 is PKR 94.11 Million (30th June 2022: PKR 26.90 Million). The performance of the year under review may be compared against the preceding year below:

| | 2023 | 2022 |
|-----------------------------|---------------|---------------|
| | Rupees | Rupees |
| Sales - net | 870,963,477 | 728,594,157 |
| Cost of sales | 821,183,461 | 662,747,166 |
| Gross Profit | 49,780,016 | 65,846,991 |
| Distribution cost | 539,899 | 502,596 |
| Administrative expenses | 25,043,426 | 22,811,205 |
| Other operating expenses | 9,781,964 | 15,579,452 |
| | 35,365,289 | 38,893,253 |
| Operating Profit | 14,414,727 | 26,953,738 |
| Other income | 81,488,463 | 800,166 |
| | 95,903,190 | 27,753,904 |
| Finance cost | 1,792,070 | 849,130 |
| Profit before taxation | 94,111,120 | 26,904,774 |
| Earnings per share (Rupees) | 1.579 | 0.355 |

During the year the Company maintained a healthy trend of sales and posted net sales revenue of Rupees 871 million with an increase of 20 percent (2022: Rupees 728.6 million). There was an increase in cost of sales of Rs. 821.18 million with an increase of 24 percent (2022: Rs. 662.75 million) which was mainly due to increase in utility costs, rupee devaluation and increased consumption of store, spares and loose tools due to addition of new looms.

The gross profit for the year under review is amounting to PKR 49.78 million as compared to gross profit PKR 65.847 million in the previous year. Whereas, profit before taxation for the year under review is amounting to PKR 94.111 million as compared to profit before tax of PKR 26.905 million in prior year. The other income is increased due to the fact that the management has decided to write-off a liability which was outstanding for more than three years.

Acknowledgment

We humbly and admiringly 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 countless rewards.

We also want to place our extreme recognition towards our valued shareholders, banks and customers, whose cooperation, continuous support and backing have enabled the company to strive for ongoing progress and expansion. During the year, the relationship between the management and employees remained amiable and we appreciate them for their dedication, endurance and conscientiousness in rendering services for the company.

Future Prospects

As the Government is fighting with import payments, depleting foreign exchange reserves and uncertain political conditions, the Pakistani Rupee is expected to remain under pressure. The imports will become more costly due to higher inflationary pressures. Financial year 2023-24 is expected to be a more difficult period. The local cotton crop has suffered a major reduction in quantity and the industry will need to import raw cotton which will be expensive due to currency devaluation. The Government needs to take the right steps which improve the liquidity of the corporate sector by releasing income tax and sales tax refunds on a timely basis. The State Bank of Pakistan has taken a very antagonistic position in controlling inflation by increasing the policy rate manifold during the year. This step will suppress growth and add up additional pressure.

The higher import bills with continuing pressure on foreign exchange reserves have caused serious risks to the Pakistan's macroeconomic view, particularly its balance of payments. The country is once again facing a severe energy crisis including high electricity costs, expected rise in gas prices and shortage of gas supply to industrial and domestic users in coming winters. To mitigate the negative impact of all these issues, wise and proactive steps need to be taken by the Government.

Your management is hopeful about the business environment as we are making up a plan to cut down the adverse effects of the high cost of doing business caused mainly due to increase in fuel and electricity prices to appear successful in this challenging situation.

Dividend Distribution

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

Statement of Corporate and Financial Reporting Framework

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

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



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8. Key operating financial data for the last six years in summary form is annexed.
9. There are no levies and penalties due as on June 30, 2023.
10. Pattern of shareholding and additional data is annexed.
11. No any trade in the shares of the Company were carried out during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children:

Board Meetings

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

| Sr. | Director Name | Attendance |
|-----|---------------------------|------------|
| 1 | Mrs. Sarah Muhammad Saya | 6 |
| 2 | Mrs. Manizah Saif Khan | 5 |
| 3 | Mr. Junaid Khan | 5 |
| 4 | Mr. Irfan Ahmed Siddiqi | 6 |
| 5 | Ms. Ayesha Saif Khan | 4 |
| 6 | Mr. Ahsan U r Rehman Khan | 5 |
| 7 | Mr. Khalid Rehman Khan | 3 |

Audit Committee

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

Irfan Ahmed Siddiqi
Director

Sarah Muhammad Saya
Chief Executive Officer

Islamabad
Dated: October 04, 2023

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
REDCO TEXTILES LIMITED
FOR THE YEAR ENDING JUNE 30, 2023**

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 Directors | Mr. Irfan Ahmed Siddiqi |
| | Mr. Junaid Khan |
| Non-executive Directors | Mrs. Manizah Saif Khan |
| | Mr. Ahsan Ur Rehman Khan |
| | Mr. Khalid Rehman Khan |
| Executive Directors | Mrs. Sarah Muhammad Saya |
| | Ms. Ayesha Saif Khan |
| Female Directors | Mrs. Sarah Muhammad Saya |
| | Mrs. Manizah Saif Khan |
| | Ms. Ayesha Saif Khan |

Fraction (0.33) related to the requirement for number of independent and executive directors each is less than 0.5 and therefore, has not rounded up as one.

3. All directors have confirmed that none of them is serving as a director in more than seven 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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.



8. The Board 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 Directors' Training program and Chief Executive Mrs. Sarah Muhammad Saya has completed Directors' Training Certification session in 2016.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal auditor, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer 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 | Chairman |
| Mrs. Manizah Saif Khan | Member |
| Mr. Ahsan Ur Rehman Khan | Member |

b) HR and Remuneration Committee

| | |
|--------------------------|----------|
| Mr. Irfan Ahmed Siddiqi | Chairman |
| Mrs. Sarah Muhammad Saya | Member |
| Mrs. Manizah Saif 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. Chartered Accountants 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 and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| S. No. | Requirement | Explanation for Non-Compliance | Regulation No. |
|--------|--|--|----------------|
| 1 | Representation of Minority shareholders: The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation. | No one has intended to contest election as director representing minority shareholders. | 5 |
| 2 | Responsibilities of the Board and its members: Adoption of the corporate governance practices. | Non-mandatory provisions of the CCG Regulations are partially complied. | 10 (1) |
| 3 | Nomination Committee: The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee. | 29 (1) |
| 4 | Risk Management Committee: The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | Currently, the board has not constituted a Risk Management Committee and the senior officers of the Company perform the requisite functions and apprise the board accordingly. | 30 (1) |

Irfan Ahmed Siddiqi
Director

Sarah Muhammad Saya
CEO/Director

Islamabad
Dated: October 04, 2023

MUSHTAQ & COMPANY

CHARTERED ACCOUNTANTS

Head Office: 407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 021-32638521-3
Email: info@mushtaqandco.com, audit.khi@mushtaqandco.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, 2019 (the Regulations) prepared by the Board of Directors of Redco Textiles Limited for the year ended June 30, 2023 in accordance with the requirements of regulation 36 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.

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, 2023.

Place: Lahore
Dated: _____

MUSHTAQ & CO
Chartered Accountants

UDIN: CR202310724KdUOJcsVE

Engagement Partner:
Nouman Arshad, ACA

MUSHTAQ & COMPANY

CHARTERED ACCOUNTANTS

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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 ('the Company'), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of 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 loss, 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, 2023 and of the profit, other comprehensive income, 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.

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.

We have determined the matters described below to be the key audit matters to be communicated in our report:



MUSHTAQ & COMPANY

CHARTERED ACCOUNTANTS

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leading edge alliance
innovation • quality • excellence

Member firm

| S. No. | Key audit matter | How the matter was addressed in our audit |
|--------|--|--|
| 1. | <p>Stock in Trade</p> <p>Refer to note 3.14 & 9 to the financial statements.</p> <p>We identified this area as a key audit matter because inventories constitute significant portion of total assets of the Company.</p> <p>Further, determining an appropriate write down as a result of net realizable value (NRV) and provision for slow moving inventories involves management judgment and estimation.</p> | <p>Our key audit procedures in this area amongst others included the following;</p> <ul style="list-style-type: none"> - Observed physical inventory count procedures and compared on a sample basis, physical count with inventory sheets. - Compared on sample basis specific purchases and directly attributable cost with underlying supporting documents. - Checked overhead absorption rates at different stages of production to ascertain valuation of work in process and finished goods. - Compared the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stocks in accordance with applicable accounting and reporting standards. - Assessed the provision for slow moving stock as at the year end and assessed whether it is in accordance with the Company's policies and relevant accounting and reporting standards. - Considered adequacy of the related disclosures and assessed whether these are in accordance with the applicable accounting and financial reporting. |

MUSHTAQ & COMPANY

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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.

MUSHTAQ & COMPANY

CHARTERED ACCOUNTANTS

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Email: info@mushtaqandco.com, audit.khi@mushtaqandco.com

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.
- 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.

MUSHTAQ & COMPANY

CHARTERED ACCOUNTANTS

Head Office: 407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 021-32638521-3
Email: info@mushtaqandco.com, audit.khi@mushtaqandco.com

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 **Nouman Arshad, ACA.**

MUSHTAQ & CO
Chartered Accountants

Lahore.

Dated: _____

UDIN: AR202310724VRUACfI8k



FINANCIAL HIGHLIGHTS

| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|------|------|------|------|------|------|
|------|------|------|------|------|------|

(Rupees in thousands)

Profit and Loss

| | | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|-----------|
| Net Sales | 870,963 | 728,594 | 495,470 | 355,476 | 251,367 | 441,264 |
| Gross Profit/ (Loss) | 49,780 | 65,847 | 36,803 | 51,439 | 45,344 | (192,856) |
| Profit/(Loss) Before Taxation | 94,111 | 26,905 | 48,390 | 25,549 | 3,908 | (503,362) |
| Profit/(Loss) After Taxation | 77,845 | 17,489 | 55,441 | 20,953 | 942 | (520,427) |

Cash Outflows

| | | | | | | |
|----------------------------|---------|---------|---------|---------|--------|-------|
| Taxes Paid | 147,358 | 12,827 | 25,979 | 11,438 | 6,868 | 4,192 |
| Financial Charges Paid | 1,845 | 954 | 1,907 | 126 | 1,912 | 7,931 |
| Fixed Capital Expenditures | 149,643 | 435,593 | 376,011 | 216,293 | 23,985 | 98 |

Balance Sheet

| | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Current Assets | 1,418,841 | 435,984 | 331,753 | 312,470 | 275,743 | 201,258 |
| Current Liabilities | 2,840,958 | 1,900,172 | 1,514,321 | 1,171,446 | 1,082,581 | 1,036,681 |
| Operating Fixed Assets | 1,751,048 | 1,715,529 | 1,407,865 | 950,028 | 783,255 | 811,081 |
| Total Assets | 3,181,950 | 2,161,571 | 1,749,685 | 1,268,372 | 1,064,884 | 1,018,237 |
| Shareholders Equity | 303,994 | 226,625 | 215,445 | 72,937 | (22,730) | (24,008) |

Ratios

| | | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|----------|
| Current Ratio | 0.50:1 | 0.23:1 | 0.22:1 | 0.27:1 | 0.25:1 | 0.19:1 |
| Gross Profit/(Loss) % | 5.72 | 9.04 | 7.43 | 14.47 | 18.04 | (43.71) |
| Profit/(Loss) Before Taxation % | 10.81 | 3.69 | 9.77 | 7.19 | 1.55 | (114.07) |
| Earning Per Share % | 1.58 | 0.36 | 1.13 | 0.43 | 0.02 | (10.56) |

Production Machines

| | | | | | | |
|-----------------------------------|-----|-----|-----|-----|----|-----|
| Number of Air Jet Looms Installed | 200 | 180 | 154 | 124 | 92 | 120 |
| Number of Spindles Installed | - | - | - | - | - | - |

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

 1.1 Name of the Company **Redco Textiles Limited**

 2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2023**

| 2.2 No. of Shareholders | -----Shareholdings----- | | Total Shares Held |
|-------------------------|-------------------------|------------|-------------------|
| | From | To | |
| 63 | 1 | 100 | 1,719 |
| 453 | 101 | 500 | 219,490 |
| 62 | 501 | 1,000 | 61,464 |
| 111 | 1,001 | 5,000 | 314,596 |
| 24 | 5,001 | 10,000 | 190,928 |
| 4 | 10,001 | 15,000 | 53,500 |
| 11 | 15,001 | 20,000 | 196,716 |
| 7 | 20,001 | 25,000 | 165,800 |
| 2 | 25,001 | 30,000 | 55,087 |
| 2 | 30,001 | 35,000 | 65,000 |
| 2 | 35,001 | 40,000 | 75,300 |
| 2 | 40,001 | 45,000 | 87,100 |
| 6 | 45,001 | 50,000 | 293,800 |
| 2 | 55,001 | 60,000 | 115,000 |
| 1 | 75,001 | 80,000 | 77,700 |
| 1 | 85,001 | 90,000 | 88,700 |
| 1 | 95,001 | 100,000 | 100,000 |
| 2 | 100,001 | 105,000 | 204,400 |
| 1 | 120,001 | 125,000 | 122,800 |
| 1 | 130,001 | 135,000 | 133,000 |
| 1 | 140,001 | 145,000 | 142,400 |
| 2 | 145,001 | 150,000 | 294,800 |
| 2 | 175,001 | 180,000 | 353,300 |
| 1 | 185,001 | 190,000 | 189,000 |
| 1 | 220,001 | 225,000 | 222,100 |
| 1 | 265,001 | 270,000 | 265,400 |
| 1 | 290,001 | 295,000 | 294,700 |
| 1 | 440,001 | 445,000 | 442,300 |
| 1 | 445,001 | 450,000 | 448,800 |
| 1 | 615,001 | 620,000 | 615,500 |
| 1 | 880,001 | 885,000 | 884,600 |
| 1 | 1,105,001 | 1,110,000 | 1,105,750 |
| 1 | 1,565,001 | 1,570,000 | 1,569,500 |
| 1 | 1,960,001 | 1,965,000 | 1,965,000 |
| 1 | 2,120,001 | 2,125,000 | 2,123,500 |
| 1 | 8,220,001 | 8,225,000 | 8,223,300 |
| 1 | 13,365,001 | 13,370,000 | 13,365,400 |
| 1 | 14,165,001 | 14,170,000 | 14,165,150 |
| 778 | | | 49,292,600 |



| 2.3 Categories of Shareholders | Shares Held | Percentage |
|---|--------------------|-------------------|
| 2.3.1 Directors, Chief Executive Officer, and their spouse and minor children | 29,832,450 | 60.5212% |
| 2.3.2 Associated Companies, undertakings and related parties. (Parent Company) | 0 | 0.0000% |
| 2.3.3 NIT and ICP | 393,400 | 0.7981% |
| 2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 985,922 | 2.0001% |
| 2.3.5 Insurance Companies | 1,965,000 | 3.9864% |
| 2.3.6 Modarabas and Mutual Funds | 0 | 0.0000% |
| 2.3.7 Shareholders holding 10% or more | 37,877,350 | 76.8419% |
| 2.3.8 General Public | | |
| a. Local | 15,071,027 | 30.5746% |
| b. Foreign | 3,000 | 0.0061% |
| 2.3.9 Others (to be specified) | | |
| 1- Joint Stock Companies | 396,501 | 0.8044% |
| 2- Investment Companies | 645,300 | 1.3091% |

Redco Textiles Limited
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2023

| 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. MANIZAH SAIF KHAN | 176,400 | 0.3579% |
| 2 | MR. IRFAN AHMED SIDDIQI | 500 | 0.0010% |
| 3 | MRS. SARAH MUHAMMAD SAYA | 16,288,650 | 33.0448% |
| 4 | MR. ASHAN UR REHMAN KHAN | 13,365,400 | 27.1144% |
| 5 | MISS AYESHA SAIF KHAN | 500 | 0.0010% |
| 6 | MR. KHALID REHMAN KHAN | 500 | 0.0010% |
| 7 | MR. JUNAID KHAN | 500 | 0.0010% |
| Executives: | | - | - |
| Public Sector Companies & Corporations: | | - | - |
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: | | 2,950,922 | 5.9865% |
| Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail) | | | |
| S. No. | NAME | HOLDING | %AGE |
| 1 | MRS. SARAH MUHAMMAD SAYA | 16,288,650 | 33.0448% |
| 2 | MR. ASHAN UR REHMAN KHAN | 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
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|-----------------------------|-----------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 1,751,048,321 | 1,715,528,914 |
| Long Term Investments | 6 | 39,000 | 39,335 |
| Long term deposits | 7 | 12,021,879 | 10,019,079 |
| | | <u>1,763,109,200</u> | <u>1,725,587,328</u> |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 8 | 761,256,409 | 49,448,442 |
| Stock in trade | 9 | 182,690,355 | 76,492,175 |
| Trade debts | 10 | 156,961,716 | 159,570,596 |
| Loans and advances | 11 | 45,721,961 | 52,281,084 |
| Trade deposits and short term prepayments | 12 | 141,608 | 23,551 |
| Tax refunds due from Government | 13 | 223,525,579 | 92,239,223 |
| Cash and bank balances | 14 | 48,542,883 | 5,929,108 |
| | | <u>1,418,840,511</u> | <u>435,984,179</u> |
| TOTAL ASSETS | | <u>3,181,949,711</u> | <u>2,161,571,507</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital 80,000,000 (June 30, 2022: 80,000,000) ordinary shares of Rs.10/- each | | <u>800,000,000</u> | <u>800,000,000</u> |
| Issued, subscribed and paid up capital 49,292,600 (June 30, 2022: 49,292,600) ordinary shares of Rs.10/- each | 15 | 492,926,000 | 492,926,000 |
| Surplus on revaluation of property, plant and equipment - net of tax | 16 | 381,964,314 | 386,139,820 |
| Director's loan | 25 | 69,599,501 | 69,599,501 |
| Other reserves | | (16,075) | (15,740) |
| Accumulated loss | | (640,479,489) | (722,024,504) |
| | | <u>303,994,251</u> | <u>226,625,077</u> |
| NON CURRENT LIABILITIES | | | |
| Long term financing from banking companies | 17 | - | - |
| Long term payables | 18 | 16,248,160 | 16,267,150 |
| Staff retirement benefits-gratuity | 19 | 20,749,230 | 18,507,037 |
| Deferred taxation | 20 | - | - |
| Deferred government grant | 21 | - | - |
| | | <u>36,997,390</u> | <u>34,774,187</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 22 | 390,314,444 | 220,357,886 |
| Accrued mark up / interest | 23 | - | 52,651 |
| Short term borrowings from associated undertakings | 24 | 848,390,650 | 769,995,917 |
| Short term borrowings from directors and others | 25 | 1,602,252,976 | 901,551,663 |
| Current portion of long term financing | 26 | - | 8,214,125 |
| | | <u>2,840,958,070</u> | <u>1,900,172,242</u> |
| CONTINGENCIES AND COMMITMENTS | 27 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>3,181,949,711</u> | <u>2,161,571,507</u> |

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, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|----------------|----------------|
| Sales | 28 | 870,963,477 | 728,594,157 |
| Cost of sales | 29 | 821,183,461 | 662,747,166 |
| Gross Profit | | 49,780,016 | 65,846,991 |
| Distribution cost | 30 | 539,899 | 502,596 |
| Administrative expenses | 31 | 25,043,426 | 22,811,205 |
| Other operating expenses | 32 | 9,781,964 | 15,579,452 |
| | | 35,365,289 | 38,893,253 |
| Operating Profit | | 14,414,727 | 26,953,738 |
| Other income | 33 | 81,488,463 | 800,166 |
| | | 95,903,190 | 27,753,904 |
| Finance cost | 34 | 1,792,070 | 849,130 |
| Profit before taxation | | 94,111,120 | 26,904,774 |
| Taxation | | | |
| Current tax | | 16,071,815 | 8,313,144 |
| Deferred tax | | 194,241 | 1,102,885 |
| | 35 | 16,266,056 | 9,416,029 |
| Profit for the year | | 77,845,064 | 17,488,745 |
| Earnings per share - basic and diluted | 36 | 1.579 | 0.355 |

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

REDCO TEXTILES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|---|------|--------------------------|--------------------------|
| Profit for the year | | 77,845,064 | 17,488,745 |
| Other comprehensive income: | | | |
| Items that will never be reclassified subsequently to profit or loss | | | |
| Re-measurement of staff retirement benefits | | (669,796) | (3,803,050) |
| Deferred tax on remeasurement of staff retirement benefits | | 194,241 | 1,102,885 |
| | | (475,555) | (2,700,165) |
| Investments at fair value through other comprehensive income | | | |
| Fair value Gain / (loss) arised during the period | | (335) | (8,180) |
| | | (335) | (8,180) |
| Total comprehensive income for the year | | <u>77,369,174</u> | <u>14,780,400</u> |

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

REDCO TEXTILES LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2023

| | Capital Reserves | | | Director's loan | Revenue Reserves | Total equity |
|---|---------------------|--|------------------|-------------------|----------------------|--------------------|
| | Revaluation surplus | Unrealized gain/(loss) on investment measured at FVOCI | Accumulated loss | | | |
| Rupees | | | | | | |
| Balance as at June 30, 2021 | 492,926,000 | 390,647,511 | (7,560) | 73,199,501 | (741,320,775) | 215,444,678 |
| Total comprehensive Income / (loss) for the year | | | | | | |
| Profit for the year | - | - | - | - | 17,488,745 | 17,488,745 |
| Other Comprehensive income / (loss) | - | - | (8,180) | - | (2,700,165) | (2,708,345) |
| Realized on disposal of fixed assets - Net of deferred tax | - | (118,667) | - | - | 118,667 | - |
| Transferred to liability portion of Sponsor's loan | - | - | - | (3,600,000) | - | (3,600,000) |
| Incremental depreciation transferred from surplus on revaluation of property, plant and equipment (Net of deferred tax) | - | (4,389,024) | - | - | 4,389,024 | - |
| Balance as at June 30, 2022 | 492,926,000 | 386,139,820 | (15,740) | 69,599,501 | (722,024,504) | 226,625,077 |
| Total comprehensive Income / (loss) for the year | | | | | | |
| Profit for the year | - | - | - | - | 77,845,064 | 77,845,064 |
| Other Comprehensive income / (loss) | - | - | (335) | - | (475,555) | (475,890) |
| Realized on disposal of fixed assets - Net of deferred tax | - | - | - | - | - | - |
| Transferred to liability portion of Sponsor's loan | - | - | - | - | - | - |
| Incremental depreciation transferred from surplus on revaluation of property, plant and equipment (Net of deferred tax) | - | (4,175,506) | - | - | 4,175,506 | - |
| Balance as at June 30, 2023 | 492,926,000 | 381,964,314 | (16,075) | 69,599,501 | (640,479,489) | 303,994,251 |

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

REDCO TEXTILES LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 94,111,120 | 26,904,774 |
| Adjustments for : | | | |
| Depreciation | | 80,367,781 | 81,131,249 |
| Provision for staff retirement benefits - gratuity | | 8,161,052 | 8,279,193 |
| Allowance for ECL on trade debts | | 620,647 | 384,126 |
| Amortization of govt. grant | | (1,174,697) | (789,920) |
| Unwinding of salary loan | | - | 1,240,336 |
| Loss on sale of property, plant and equipment | | - | 7,547,291 |
| Finance cost | | 1,792,070 | 849,130 |
| | | 89,766,853 | 98,641,405 |
| Operating profit / (loss) before working capital changes | | 183,877,973 | 125,546,179 |
| Changes in working capital: | | | |
| (Increase) / decrease in current assets | | | |
| Stores, spare parts and loose tools | | (711,807,967) | (3,168,158) |
| Stock in trade | | (106,198,180) | (28,544,603) |
| Trade debts | | 1,988,233 | (57,190,773) |
| Loan & Advances and Trade deposits | | 6,441,066 | (20,480,208) |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | 169,956,557 | 7,643,088 |
| | | (639,620,291) | (101,740,654) |
| Cash (used in)/generated from operations | | (455,742,318) | 23,805,525 |
| Long term deposits | | (2,002,800) | - |
| GIDC Paid | | (18,990) | (113,940) |
| Staff retirement benefits - gratuity paid | | (6,588,655) | (4,785,911) |
| Finance cost paid | | (1,844,721) | (954,432) |
| Taxes paid | | (147,358,171) | (12,827,574) |
| | | (157,813,337) | (18,681,857) |
| Net cash (used in)/generated from operating activities | | (613,555,655) | 5,123,668 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Property, plant and equipment - acquired | | (115,887,188) | (435,592,583) |
| Proceeds from sale of property, plant and equipment | | - | 39,250,000 |
| Net cash (used in)/generated from investing activities | | (115,887,188) | (396,342,583) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Short term borrowings from associated undertakings | | 78,394,733 | 65,274,934 |
| Short term borrowings from directors and others | | 700,701,313 | 330,739,510 |
| Long term financing from banking companies | | (7,039,428) | (14,078,856) |
| Net cash generated from/(used in) financing activities | | 772,056,618 | 381,935,588 |
| Increase / (Decrease) in cash and cash equivalents | | 42,613,775 | (9,283,327) |
| Cash and cash equivalents at the beginning of the year | | 5,929,108 | 15,212,435 |
| Cash and cash equivalents at the end of the year | 14 | 48,542,883 | 5,929,108 |

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

REDCO TEXTILES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1 The Company and its operations

1.1 Redco Textiles Limited is a Public Limited Company, incorporated in Pakistan on 17 October 1991. It was incorporated under the repealed Companies Ordinance, 1984 now the Companies Act, 2017 and is listed on Pakistan 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. The manufacturing facility is located at 3-km, Rawat-Kallar Seydan Road, P.O Sagri, Rawat, Rawalpindi, District Rawalpindi in the Province of Punjab.

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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Standards, interpretations and amendments to published approved accounting standards

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

| | Effective date (annual reporting periods beginning on or after) |
|--|---|
| IAS 1 Presentation of financial statements (Amendments) | January 1, 2023 |
| IAS 7 Statement of Cash flows (Amendments) | January 1, 2024 |
| IAS 8 Accounting policies, changes in accounting estimates and errors (Amendments) | January 1, 2023 |
| IAS 12 Income Taxes (Amendments) | January 1, 2023 |
| IFRS 4 Insurance Contracts (Amendments) | January 1, 2023 |
| IFRS 9 Financial Instruments (Amendments) | January 1, 2024 |
| IFRS 16 Leases (Amendments) | January 1, 2024 |

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

| | |
|----------|--|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards |
| IFRS 17 | Insurance contracts |
| IFRIC 12 | Service concession arrangements |

3 Summary of Significant Accounting Policies

3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

Short term employees benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.



Post retirement benefits

Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

There is risk that the final salary at the time of cessation of service is greater than what the entity has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Actuarial gains and losses are recognized in comprehensive income for the period in which these arise.

3.3 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or minimum of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for 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 tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.5 Trade and other payables

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

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation

Owned assets

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.

Subsequent cost

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.

Depreciation

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.

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 values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

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 or loss account.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.9 Investment in associates - Equity Method

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the carrying amount is increased or decreased to recognize the company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the company's profit and loss account. Distribution received from investee, reduces the carrying amount of investment. The changes in the associate's equity which are not recognized in the associates' profit or loss account, are recognized directly in the equity of the Company.

3.10 Financial assets and liabilities

Financial assets

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The nomenclature of the available for sale investments has been changed to fair value through other comprehensive income.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value and subsequent to initial recognition changes in fair value of these financial assets are normally recognized in profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Derecognition

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Financial Liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

3.11 Impairment

Financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognize lifetime expected credit losses for trade debts, due from customers and contract assets. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.13 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.14 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows:

| | |
|-----------------|--|
| Raw material | At weighted average cost or replacement cost whichever is lower |
| Work in process | At average manufacturing cost |
| Finished goods | At average manufacturing cost or net realizable value whichever is lower |
| Waste | Net realizable value |

Valuation of raw material, work in process and finished goods as on 30th June have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.15 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.17 Revenue recognition

According to the core principles of IFRS-15, the company recognizes the revenue from sale when the company satisfies a performance obligation (at a point of time) by transferring promised goods to customers being when the goods are dispatched to customers. Revenue is measured at fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commission, sales returns and discounts.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.

Unrealised gains / (losses) arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which they arise.

3.18 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit or loss account currently.

3.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit or loss account.

3.20 Transactions with related parties

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course of business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Act, 2017.

3.21 Government grant

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants. Government grants are recognized at fair value, as deferred income. Grants that compensate the Company for expenses incurred are amortized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in the business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment.

4 Capital management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2023 Rupees | 2022 Rupees |
|--------------------------|------|----------------------|----------------------|
| Operating fixed assets | 5.1 | 1,751,048,321 | 1,681,772,979 |
| Capital work in progress | 5.3 | - | 33,755,935 |
| | | <u>1,751,048,321</u> | <u>1,715,528,914</u> |

5.1 Operating fixed assets

| PARTICULARS | COST / REVALUATION | | | | | Rate | DEPRECIATION | | | | | BOOK VALUE |
|----------------------------|----------------------|-------------------------|--------------------|---|----------------------|------|--------------------|-------------------|--------------------|-------------------------------------|---------------------|----------------------|
| | As at July 1, 2022 | Additions / Adjustments | Deletion/ Transfer | Addition/(deficit) due to surplus revaluation | As at June 30, 2023 | | As at July 1, 2022 | For the year | Deletion/ Transfer | Addition due to surplus revaluation | As at June 30, 2023 | As at June 30, 2023 |
| OWNED ASSETS | | | | | | | | | | | | |
| Freehold land | 323,830,000 | - | - | - | 323,830,000 | 0% | - | - | - | - | - | 323,830,000 |
| Building on free hold land | 435,051,170 | 33,755,935 | - | - | 468,807,105 | 5% | 260,427,870 | 8,871,815 | - | - | 269,299,685 | 199,507,420 |
| Plant and machinery | 1,382,954,958 | 105,583,452 | - | - | 1,488,538,410 | 5% | 332,527,682 | 53,401,226 | - | - | 385,928,908 | 1,102,609,502 |
| Generators | 91,183,552 | 3,091,509 | - | - | 94,275,061 | 5% | 36,666,270 | 2,798,787 | - | - | 39,465,057 | 54,810,004 |
| Tools and equipment | 41,037,615 | 6,955,227 | - | - | 47,992,842 | 5% | 16,090,116 | 1,432,946 | - | - | 17,523,062 | 30,469,780 |
| Tools | 184,490,538 | - | - | - | 184,490,538 | 33% | 155,618,974 | 9,527,616 | - | - | 165,146,590 | 19,343,948 |
| Vehicles | 30,363,311 | - | - | - | 30,363,311 | 20% | 9,674,612 | 4,137,740 | - | - | 13,812,352 | 16,550,959 |
| Furniture and fixtures | 2,343,237 | 257,000 | - | - | 2,600,237 | 5% | 1,498,440 | 46,523 | - | - | 1,544,963 | 1,055,274 |
| Office equipment | 4,771,255 | - | - | - | 4,771,255 | 5% | 2,708,756 | 103,125 | - | - | 2,811,881 | 1,959,374 |
| Laboratory equipment | 6,028,249 | - | - | - | 6,028,249 | 5% | 5,068,186 | 48,003 | - | - | 5,116,189 | 912,060 |
| Total 2023 | 2,502,053,885 | 149,643,123 | - | - | 2,651,697,008 | | 820,280,906 | 80,367,781 | - | - | 900,648,687 | 1,751,048,321 |

| PARTICULARS | COST / REVALUATION | | | | | Rate | DEPRECIATION | | | | | BOOK VALUE |
|----------------------------|----------------------|-------------------------|---------------------|---|----------------------|------|--------------------|-------------------|---------------------|-------------------------------------|---------------------|----------------------|
| | As at July 1, 2021 | Additions / Adjustments | Deletion/ Transfer | Addition/(deficit) due to surplus revaluation | As at June 30, 2022 | | As at July 1, 2021 | For the year | Deletion/ Transfer | Addition due to surplus revaluation | As at June 30, 2022 | As at June 30, 2022 |
| OWNED ASSETS | | | | | | | | | | | | |
| Freehold land | 323,830,000 | - | - | - | 323,830,000 | 0% | - | - | - | - | - | 323,830,000 |
| Building on free hold land | 435,051,170 | - | - | - | 435,051,170 | 5% | 251,237,170 | 9,190,700 | - | - | 260,427,870 | 174,623,300 |
| Plant and machinery | 1,068,655,732 | 380,375,965 | (66,076,739) | - | 1,382,954,958 | 5% | 301,232,316 | 50,574,814 | (19,279,447) | - | 332,527,682 | 1,050,427,276 |
| Generators | 85,943,256 | 5,240,296 | - | - | 91,183,552 | 5% | 33,890,344 | 2,775,926 | - | - | 36,666,270 | 54,517,282 |
| Tools and equipment | 25,320,122 | 15,717,493 | - | - | 41,037,615 | 5% | 15,312,550 | 777,566 | - | - | 16,090,116 | 24,947,499 |
| Tools | 184,490,538 | - | - | - | 184,490,538 | 33% | 141,398,651 | 14,220,323 | - | - | 155,618,974 | 28,871,564 |
| Vehicles | 7,629,800 | 22,733,511 | - | - | 30,363,311 | 20% | 6,285,442 | 3,389,170 | - | - | 9,674,612 | 20,688,699 |
| Furniture and fixtures | 2,343,237 | - | - | - | 2,343,237 | 5% | 1,453,977 | 44,463 | - | - | 1,498,440 | 844,797 |
| Office equipment | 4,729,405 | 41,850 | - | - | 4,771,255 | 5% | 2,600,999 | 107,757 | - | - | 2,708,756 | 2,062,499 |
| Laboratory equipment | 6,028,249 | - | - | - | 6,028,249 | 5% | 5,017,656 | 50,530 | - | - | 5,068,186 | 960,063 |
| Total 2022 | 2,144,021,509 | 424,109,115 | (66,076,739) | - | 2,502,053,885 | | 758,429,104 | 81,131,249 | (19,279,447) | - | 820,280,906 | 1,681,772,979 |



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| | Note | 2023 Rupees | 2022 Rupees |
|--|------|-------------------|-------------------|
| 5.2 Depreciation has been allocated as follows: | | | |
| Cost of sales | 29 | 76,032,390 | 77,539,329 |
| Administrative expenses | 31 | 4,335,391 | 3,591,920 |
| | | <u>80,367,781</u> | <u>81,131,249</u> |
| 5.3 Capital work in progress | | | |
| Building civil works | | - | 33,755,935 |
| | | <u>-</u> | <u>33,755,935</u> |

5.4 Disposal of property, plant and equipment

There was no disposal during the year

5.5 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 Int'l (Pvt.) Limited " on June 30, 2021. 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. 142,046,076 on revaluation of above assets on the basis of said valuation report. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

5.6 Forced sale value of land freehold / leasehold, buildings on freehold land and plant and machinery of the company as per revaluation report is as follows:

| | Operating Fixed Assets |
|--------------------------|------------------------|
| Land | 291,447,000 |
| Building and Civil Works | 147,051,200 |
| Plant and Machinery | 614,607,247 |
| | <u>1,053,105,447</u> |

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

| Location | Usage of Immoveable property | 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 |



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REDCO TEXTILES LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

| | | 2023 | 2022 |
|---|------|--------------------|--------------------|
| | Note | Rupees | Rupees |
| 6 Long Term Investments | | | |
| Equity instruments designated at fair value through OCI: | | | |
| Oil & Gas Development Company Limited-OGDC | 6.1 | <u>39,000</u> | <u>39,335</u> |
| 6.1 This represents the investment in 500 (June 30, 2022 : 500) ordinary shares of Rs. 10 each in OGDCL. The market value as at June 30, 2023 is Rs. 78.00 (June 30, 2022 : Rs. 78.67) per share. | | | |
| 7 LONG TERM DEPOSITS | | | |
| Deposits : | | | |
| WAPDA | | 2,620,940 | 2,620,940 |
| SNGPL | | 9,310,439 | 7,316,439 |
| Others | | 90,500 | 81,700 |
| | | <u>12,021,879</u> | <u>10,019,079</u> |
| 8 STORES, SPARE PARTS AND LOOSE TOOLS | | | |
| Stores | 8.1 | 753,049,873 | 42,319,536 |
| Spares parts | | 7,015,629 | 6,677,253 |
| Packing material | | 1,172,867 | 433,752 |
| Loose tools | | 18,040 | 17,901 |
| | | <u>761,256,409</u> | <u>49,448,442</u> |
| 8.1 Stores include plant and machinery amounting to Rs. 718,773,790 which are held for capitalization. | | | |
| 8.2 No item of stores, spares and loose tools is pledged as security as at reporting date. | | | |
| 9 STOCK IN TRADE | | | |
| Raw material | | 2,350,786 | 900,701 |
| Work in process | | 2,811,081 | 3,634,562 |
| Finished goods | 9.1 | 177,528,488 | 71,956,912 |
| | | <u>182,690,355</u> | <u>76,492,175</u> |
| 9.1 These include waste stock measured at net realizable value amounting to Rs. 991,331 (June 30, 2022 : Rs. 915,188). | | | |
| 9.2 No item of stock in trade is pledged as security as at reporting date. | | | |
| 10 TRADE DEBTS | | | |
| Local-Unsecured | | | |
| Considered good | | 156,961,716 | 159,954,722 |
| Considered doubtful | | 15,045,785 | 14,041,012 |
| | | <u>172,007,501</u> | <u>173,995,734</u> |
| Less: Allowance for ECL on trade debts | 10.1 | (15,045,785) | (14,425,138) |
| | | <u>156,961,716</u> | <u>159,570,596</u> |
| 10.1 Allowance for ECL on trade debts | | | |
| Opening balance | | 14,425,138 | 14,041,012 |
| Allowance for ECL during the year | | 620,647 | 384,126 |
| Allowance no longer required/recovered | | - | - |
| Closing balance | | <u>15,045,785</u> | <u>14,425,138</u> |
| 11 LOANS AND ADVANCES | | | |
| Unsecured | | | |
| Advances to: | | | |
| Suppliers (Considered good) | | 42,137,225 | 48,441,348 |
| Suppliers (Considered doubtful) | | 4,493,684 | 4,493,684 |
| Employees (Considered good) | 11.1 | 3,584,736 | 3,839,736 |
| Employees (Considered doubtful) | | 5,266,941 | 5,266,941 |
| | | <u>55,482,586</u> | <u>62,041,709</u> |
| Less: Allowance for ECL on loans and advances | 11.2 | (9,760,625) | (9,760,625) |
| | | <u>45,721,961</u> | <u>52,281,084</u> |
| 11.1 These loans are given against the salaries, wages and gratuity of the employees. | | | |



| | | 2023 | 2022 |
|---|--|--------------------|-------------------|
| | Note | Rupees | Rupees |
| 11.2 Allowance for ECL on loans and advances | | | |
| Opening balance | | 9,760,625 | 9,760,625 |
| Allowance for ECL during the year | | - | - |
| Allowance no longer required/recovered | | - | - |
| Closing balance | | <u>9,760,625</u> | <u>9,760,625</u> |
| 12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Short term prepayments | | 141,608 | 23,551 |
| | | <u>141,608</u> | <u>23,551</u> |
| 13 TAX REFUNDS DUE FROM GOVERNMENT | | | |
| Sales tax refundable | | 186,352,985 | 62,365,266 |
| Advance income tax | 13.1 | 37,172,594 | 29,873,957 |
| | | <u>223,525,579</u> | <u>92,239,223</u> |
| 13.1 Advance income tax | | | |
| Opening balance | | 29,873,957 | 18,336,570 |
| Add: Deducted during the year | | 23,370,452 | 19,850,531 |
| | | 53,244,409 | 38,187,101 |
| Adjusted against provision for the year | | (16,071,815) | (8,313,144) |
| Closing balance | | <u>37,172,594</u> | <u>29,873,957</u> |
| 14 CASH AND BANK BALANCES | | | |
| Cash in hand | | 834,650 | 600,358 |
| Cash with banks in : | | | |
| - Current accounts | | 35,837,250 | 5,248,927 |
| - Saving accounts | 14.1 | 11,870,983 | 79,823 |
| | | 47,708,233 | 5,328,750 |
| | | <u>48,542,883</u> | <u>5,929,108</u> |
| 14.1 | It carries rate of return ranging from 4.5 % to 20.5 % (June 30, 2022 : 5.5 % to 12.25 %) per annum. | | |



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| | 2023 | 2022 | | 2023 | 2022 |
|--|------------------|------------|---|-------------|-------------|
| | Number of shares | | | Rupees | Rupees |
| | 49,292,600 | 49,292,600 | Ordinary shares of Rs. 10/- each fully paid in cash | 492,926,000 | 492,926,000 |

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

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

| | 2023 | 2022 |
|--|-------------|-------------|
| | Rupees | Rupees |
| Opening balance - gross | 420,201,118 | 426,549,979 |
| Add: | | |
| Surplus arised during the year-net | - | - |
| Prior year impairment loss reversed | - | - |
| Related deferred tax liability | - | - |
| Less: | | |
| Disposal of fixed assets | - | 118,667 |
| Related deferred tax liability | - | 48,470 |
| | - | 167,137 |
| Less: | | |
| Transferred to equity in respect of: | | |
| Incremental depreciation on revalued assets | 4,175,506 | 4,389,024 |
| Related deferred tax liability | 1,705,488 | 1,792,700 |
| | 5,880,994 | 6,181,724 |
| Closing balance - gross | 414,320,124 | 420,201,118 |
| Less: | | |
| Related deferred tax liability | | |
| Revaluation at the beginning of the year | 34,061,298 | 35,902,468 |
| Related deferred tax liability on addition to surplus | - | - |
| Effect of change in tax rate | - | - |
| Amount transferred due to disposal | - | (48,470) |
| Amount realized during the year on account of incremental depreciation | (1,705,488) | (1,792,700) |
| | 32,355,810 | 34,061,298 |
| Closing balance - net of tax | 381,964,314 | 386,139,820 |

16.1 The Free hold land, building on free hold land, plant and machinery and generators have been revalued on June 30, 2021 resulting in a surplus of Rs. 142,046,076. 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 | 2023 | 2022 |
|----------------------------|------|----------------------|----------------------|
| | | Rupees | Rupees |
| Free hold land | | 21,081,636 | 21,081,636 |
| Building on free hold land | | 110,845,619 | 81,295,088 |
| Plant and machinery | | 1,081,844,883 | 1,028,560,985 |
| Generators | | 52,664,664 | 52,259,030 |
| | | <u>1,266,436,802</u> | <u>1,183,196,739</u> |

17 LONG TERM FINANCING FROM BANKING COMPANIES

-Secured

| | Note | 2023 | 2022 |
|--------------------------|------|--------|--------------|
| | | Rupees | Rupees |
| Opening balance | | | 20,994,393 |
| Received during the year | 17.1 | - | - |
| | | - | 20,994,393 |
| Payment during the year | | | (14,078,856) |
| Unwinding of salary loan | | | 1,240,336 |
| | | - | 8,155,873 |
| Current portion | | | (8,155,873) |
| | | - | - |

17.1 The Company had obtained long term loan of Rs. 28.158 million for financing its salaries, wages under SBP Refinance Scheme for payment of wages and salaries, from Bank Alfalah Limited which was subject to mark up at 3% per annum and secured against first Joint Pari Passu charge of Rs 295 million over the fixed assets of the company and personal guarantee of all directors. This loan was for two and half years and was repayable in eight equal quarterly installments commencing from 31 January 2021. The grace period for the repayment of long term loan was 6 months from date of disbursement and mark up was payable quarterly. The facility available under the above arrangement amounted to Rs.28.158 million of which the amount remained unutilized as at 30 June 2023 was Rs. Nil.



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| | Note | 2023 Rupees | 2022 Rupees |
|--|---|---------------------------|---------------------------|
| 18 LONG TERM PAYABLES | | | |
| GIDC payable | 18.1 | 16,248,160 | 16,267,150 |
| | | <u>16,248,160</u> | <u>16,267,150</u> |
| 18.1 GIDC Payable - Movement in liability recognized in the balance sheet | | 2023 Rupees | 2022 Rupees |
| Balance at beginning of the year | | 16,267,150 | 16,381,090 |
| Accrued for the year | | - | - |
| Paid during the year | | (18,990) | (113,940) |
| | | <u>16,248,160</u> | <u>16,267,150</u> |
| Less: Current maturity | | - | - |
| Balance at the end of the year | | <u>16,248,160</u> | <u>16,267,150</u> |
| 18.2 | The Company has filed petition W.P.No. 42168 of 2020. Through this petition the arrears of GIDC in gas bill has been challenged. Presently the recovery of arrears of GIDC has been stayed by the Lahore High Court, Lahore. It is anticipated that this case would be decided in favor of Redco Textiles Limited, However, the time frame for decision of the Court cannot be prejudged for the said case. | | |
| 19 STAFF RETIREMENT BENEFITS - GRATUITY | | | |
| Present value of defined benefit obligation - at the beginning of the year | | 18,507,037 | 11,210,705 |
| Charged to profit or loss account | 19.4 | 8,161,052 | 8,279,193 |
| Charged to comprehensive income | 19.5 | 669,796 | 3,803,050 |
| | | <u>27,337,885</u> | <u>23,292,948</u> |
| Benefits paid during the year | | (6,588,655) | (4,785,911) |
| Present value of defined benefit obligation - at the end of the year | | <u>20,749,230</u> | <u>18,507,037</u> |
| 19.1 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, 2023 using Projected Unit Credit Method. | | | |
| 19.2 Principal actuarial assumptions | | | |
| Following are a few important actuarial assumptions used in the valuation: | | | |
| | | % | % |
| Discount rate | | 16.25% | 13.25% |
| Expected rate of increase in salary | | 15.25% | 12.25% |
| | | Years | Years |
| Average expected remaining working life time of the employees | | 8 | 8 |
| 19.3 Movement in present value of defined benefit obligation | | | |
| Present value of defined benefit obligation - Opening balance | | 18,507,037 | 11,210,705 |
| Current service cost | | 6,115,473 | 6,924,004 |
| Interest cost | | 2,045,579 | 1,355,189 |
| Benefits paid during the period | | (6,588,655) | (4,785,911) |
| Remeasurement loss/ (gain) arising during the year | | 669,796 | 3,803,050 |
| Closing balance | | <u>20,749,230</u> | <u>18,507,037</u> |
| 19.4 Charge for the year | | | |
| Current service cost | | 6,115,473 | 6,924,004 |
| Interest cost | | 2,045,579 | 1,355,189 |
| | | <u>8,161,052</u> | <u>8,279,193</u> |
| 19.5 Expenses recognized in other comprehensive income | | | |
| Remeasurement in the year | | <u>669,796</u> | <u>3,803,050</u> |
| 19.6 Gratuity expenses have been allocated as follows | | | |
| Cost of goods manufactured | | 8,161,052 | 8,279,193 |
| | | <u>8,161,052</u> | <u>8,279,193</u> |
| 19.7 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 | | (789,494) | 831,819 |
| Expected rate of increase in future salaries | | 831,819 | (802,953) |



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19.8 Historical information

| | 2022 Rupees | 2021 Rupees | 2020 Rupees | 2019 Rupees |
|--|----------------|----------------|----------------|----------------|
| Present value of defined benefits obligation | 18,507,037 | 11,210,705 | 5,303,819 | 5,032,640 |
| Experience adjustments on plan liabilities | 3,803,050 | 4,325,365 | (2,140,527) | (490,734) |

19.9 Expected gratuity expenses for the year ended June 30, 2024 works out Rs. 9,094,132

20 DEFERRED TAXATION

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|----------------|----------------|
| Opening balance | | - | - |
| Add: Provided on surplus during the year | | - | - |
| Less: Reversed on surplus during the year due to rate change | | - | - |
| Add / (less): Provided / (reversed) during the year in profit and loss account | | 194,241 | 1,102,885 |
| Less: Charged through other comprehensive income due to remeasurements | | (194,241) | (1,102,885) |
| | | - | - |

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

| | Note | 2023 Rupees | 2022 Rupees |
|---|------|----------------|----------------|
| Accelerated tax depreciation | | 146,118,705 | 138,721,361 |
| Surplus on revaluation of property, plant and equipment | | 32,355,810 | 34,061,299 |
| Staff retirement benefits - gratuity | | (6,017,277) | (5,367,041) |
| Provision for doubtful debts / advances | | (7,193,859) | (7,013,871) |
| Turnover tax carried forward | | (45,585,003) | (47,823,245) |
| Brought forward tax losses | | (284,036,723) | (299,837,011) |
| | | (164,358,347) | (187,258,508) |
| Tax rate used | | 29% | 29% |

During the year net deferred tax assets amounting to Rs.164,358,347 (2022: Rs.187,258,508) 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.

21 DEFERRED REVENUE - GOVT GRANT

| | Note | 2023 Rupees | 2022 Rupees |
|--------------------------------|------|----------------|----------------|
| Balance at beginning of year | | - | 848,172 |
| During the year | 21.1 | - | - |
| Amortization during the year | | - | (789,920) |
| | | - | 58,252 |
| Less: current portion | | - | (58,252) |
| Balance at the end of the year | | - | - |

21.1 This represents the differential between the loan proceeds and fair value of the loan recorded as deferred grant in accordance with IAS 20 and ICAP circular 11 of 2020. The fair value of the loan is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument by using effective interest method.

22 TRADE AND OTHER PAYABLES

| | Note | 2023 Rupees | 2022 Rupees |
|------------------------------------|------|----------------|----------------|
| Creditors | | 72,482,748 | 152,606,396 |
| Accrued liabilities | | 58,866,856 | 45,771,346 |
| Advances from customers | 22.1 | 238,219,253 | 4,170,377 |
| Withholding tax payable | | 15,296,043 | 15,466,169 |
| Workers' profit participation fund | 22.2 | 4,993,430 | 1,887,485 |
| Workers' welfare fund | | 456,114 | 456,114 |
| | | 390,314,444 | 220,357,886 |

22.1 This includes advance received against sale of plant and machinery. The sale transaction has been executed subsequent to the year end.

22.2 Workers' profit participation fund

| | Note | 2023 Rupees | 2022 Rupees |
|---|--------|----------------|----------------|
| Opening balance | | 1,887,485 | 812,900 |
| Add: Interest on funds utilized in the company's business | 22.1.1 | 382,027 | 84,906 |
| | | 2,269,512 | 897,806 |
| Less: Payment during the year | | (2,269,512) | (897,806) |
| Allocation for the year | | 4,993,430 | 1,887,485 |
| | | 4,993,430 | 1,887,485 |

22.1.1 Interest on Workers' Profit Participation Fund has been provided @ 22.38% (30 June 2022: 13.33%) per annum.

23 ACCRUED MARK UP / INTEREST

| | Note | 2023 Rupees | 2022 Rupees |
|---|------|----------------|----------------|
| Interest / markup accrued on: | | | |
| Long term borrowings - Bank Alfalah Limited | | - | 52,651 |
| | | - | 52,651 |

24 SHORT TERM BORROWINGS FROM ASSOCIATED UNDERTAKINGS

| | Note | 2023 Rupees | 2022 Rupees |
|----------------------------------|------|----------------|----------------|
| Unsecured - from related parties | | | |
| Redco Pakistan Limited | 24.1 | 742,281,185 | 663,886,452 |
| Royal Holdings (Private) Limited | 24.1 | 106,109,465 | 106,109,465 |
| | | 848,390,650 | 769,995,917 |

24.1 These are unsecured and interest free loans payable to associated undertakings. Out of the above balance amount of Rs. 414.766 million (June 30, 2022: Rs. 414.766 million) have been subordinated to Bank Alfalah Limited. These loans were acquired to meet the working capital requirements of the Company.



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| | | 2023 | 2022 |
|---|--|----------------------|---------------------|
| | | Rupees | Rupees |
| 25 SHORT TERM BORROWINGS FROM DIRECTORS AND OTHERS | Note | | |
| Unsecured - from directors and sponsors | | | |
| Sponsor | | | |
| Saif-ur-Rehman Khan | 25.1 | 1,598,652,976 | 897,951,663 |
| Mrs. Taufiq Amanullah Khan | 25.1 | 3,600,000 | 3,600,000 |
| Chief Executive | | | |
| Mrs. Sarah Muhammad Saya | 25.2 | 66,074,470 | 66,074,470 |
| Directors | | | |
| Ahsan-ur- Rehman Khan | 25.2 | 3,525,031 | 3,525,031 |
| | | <u>1,671,852,477</u> | <u>971,151,164</u> |
| Directors loan transferred to Equity | 25.2 | (69,599,501) | (69,599,501) |
| Closing Balance | | <u>1,602,252,976</u> | <u>901,551,663</u> |
| 25.1 | These are unsecured and interest free loans payable to the directors, chief executive and sponsors. Out of above balance amount of Rs. 247.150 million (June 30, 2022: Rs. 247.150 million) have been subordinated to Bank Alfalah Limited. These loans are repayable at the discretion of the sponsor and provided to meet capital expenditure and working capital requirements of the Company. | | |
| 25.2 | At July 1st, 2019, the company has revised the terms of old director's loan. As per terms of new agreement, out of total existing loan, and amount of Rs. 69.60 million shall be repayable only at the discretion of the Company. Therefore, this amount is accounted for in accordance with the 'Technical Release-32' and is classified under equity. | | |
| 26 Current portion of long term financing | Note | 2023 | 2022 |
| | | Rupees | Rupees |
| Long-term financing | | - | 8,155,873 |
| Deferred govt. grant | | - | 58,252 |
| | | <u>-</u> | <u>8,214,125</u> |
| 27 CONTINGENCIES AND COMMITMENTS | | | |
| 27.1 CONTINGENCIES | | | |
| 27.1.1 | 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, 2022 : Rs. 26,940,753). This facility is secured against counter guarantee of the company and carry commission of 0.40% per quarter (June 30, 2022 : 0.40% per quarter) maximum tenor: performance bond revolving. | | |
| 27.1.2 | The company has availed the facility for issuance of Standby Letter of Credit (SBLC) from Habib Metropolitan Bank Limited amounting to Rs. 21.40 million (June 30, 2022: 21.40 million). This facility carry commission of 1% (June 30, 2022: 1%) per annum (maximum tenor: performance bond revolving). | | |
| 27.1.3 | The company has filed an appeal RFA No. 18 of 2015 against SNGPL that involves the controversy of overbilling of gas charges by SNGPL. The case was originally decided against the Company by the Trial Court, However, the Company has filed the said appeal against the order of the Trial Court, which is pending adjudication before the Honorable Islamabad High Court. There is a likelihood of the said appeal decided by the Honorable Court in near future. | | |
| 27.1.4 | In addition to above mentioned litigations there is litigation which is disclosed in note 18.2 | | |
| 27.2 COMMITMENTS | | | |
| | Outstanding commitments related to letter of credit at the end of the year equivalent to Pak Rs. Nil. (June 30, 2022: Rs. Nil). | | |
| 28 SALES | Note | 2023 | 2022 |
| | | Rupees | Rupees |
| Local | | | |
| - Yarn | | - | 45,000 |
| - Fabric | | 1,020,936,826 | 854,465,572 |
| | | <u>1,020,936,826</u> | <u>854,510,572</u> |
| Waste sale | | | |
| | | 8,871,411 | 7,783,637 |
| | | <u>1,029,808,237</u> | <u>862,294,209</u> |
| Sales tax | | (158,022,233) | (127,866,079) |
| Commission | | (822,527) | (5,833,973) |
| | | <u>870,963,477</u> | <u>728,594,157</u> |
| 29 COST OF SALES | Note | 2023 | 2022 |
| | | Rupees | Rupees |
| Raw material consumed | 29.1 | 6,912,330 | 6,652,712 |
| Packing material consumed | 29.2 | 7,024,527 | 8,832,426 |
| Stores and spare parts and loose tools consumed | 29.3 | 77,491,770 | 73,775,904 |
| Fuel and power | | 500,167,574 | 275,387,800 |
| Salaries, wages and other benefits | 29.4 | 248,649,553 | 237,509,484 |
| Repairs and maintenance | | 876,058 | 3,430,216 |
| Depreciation | 5.2 | 76,032,390 | 77,539,329 |
| Other expenses | | 8,777,354 | 7,789,636 |
| | | <u>925,931,556</u> | <u>690,917,507</u> |
| Work in process: | | | |
| Opening | | 3,634,562 | 1,341,184 |
| Closing | | (2,811,081) | (3,634,562) |
| | | <u>823,481</u> | <u>(2,293,378)</u> |
| Cost of goods manufactured | | <u>926,755,037</u> | <u>688,624,129</u> |
| Finished goods: | | | |
| Opening | | 71,956,912 | 46,079,949 |
| Closing | | (177,528,488) | (71,956,912) |
| | | <u>(105,571,576)</u> | <u>(25,876,963)</u> |
| | | <u>821,183,461</u> | <u>662,747,166</u> |



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| | | 2023 Rupees | 2022 Rupees |
|--|-------------|--------------------|--------------------|
| 29.1 Raw material consumed | Note | | |
| Opening | | 900,701 | 526,439 |
| Add: Purchases during the year | | 8,362,415 | 7,026,974 |
| | | <u>9,263,116</u> | <u>7,553,413</u> |
| Closing stock | | (2,350,786) | (900,701) |
| | | <u>6,912,330</u> | <u>6,652,712</u> |
| 29.2 Packing material consumed | Note | | |
| Opening stock | | 433,752 | 458,037 |
| Add: Purchases during the year | | 7,763,642 | 8,808,141 |
| | | <u>8,197,394</u> | <u>9,266,178</u> |
| Closing stock | | (1,172,867) | (433,752) |
| | | <u>7,024,527</u> | <u>8,832,426</u> |
| 29.3 Store, spare parts and loose tools consumed | Note | | |
| Opening stock | | 49,014,690 | 45,822,247 |
| Add: Purchases during the year | | 788,560,622 | 76,968,347 |
| | | <u>837,575,312</u> | <u>122,790,594</u> |
| Closing stock | | (760,083,542) | (49,014,690) |
| | | <u>77,491,770</u> | <u>73,775,904</u> |
| 29.4 Salaries, wages and other benefits includes Rs.8,161,052 (June 30, 2022: Rs.8,279,193) in respect of staff retirement benefits - gratuity. | | | |
| 30 DISTRIBUTION COST | Note | | |
| Salaries and other benefits | | 539,899 | 502,596 |
| | | <u>539,899</u> | <u>502,596</u> |
| 31 ADMINISTRATIVE EXPENSES | Note | | |
| Salaries and other benefits | 38 | 15,704,362 | 14,752,682 |
| Traveling and conveyance | | 135,960 | 204,216 |
| Entertainment | | 244,974 | 276,808 |
| Communication | | 460,543 | 617,321 |
| Printing and stationery | | 211,290 | 363,739 |
| Vehicle running and maintenance | | - | 2,450 |
| Repair and maintenance | | 48,570 | 69,920 |
| Depreciation | 5.2 | 4,335,391 | 3,591,920 |
| Others | | 3,902,336 | 2,932,149 |
| | | <u>25,043,426</u> | <u>22,811,205</u> |
| 32 OTHER OPERATING EXPENSES | Note | | |
| Legal and professional | | 3,470,887 | 3,823,213 |
| Auditors' remuneration | 32.1 | 697,000 | 697,000 |
| Allowance for ECL on trade debt | | 620,647 | 384,126 |
| Loss on disposal of fixed assets | | - | 7,547,292 |
| Unwinding of salary loan | | - | 1,240,336 |
| Workers' Profit Participation Fund | | 4,993,430 | 1,887,485 |
| | | <u>9,781,964</u> | <u>15,579,452</u> |
| 32.1 Auditors' remuneration | | | |
| Annual statutory audit | | 600,000 | 600,000 |
| Half yearly review | | 97,000 | 97,000 |
| | | <u>697,000</u> | <u>697,000</u> |
| 33 OTHER INCOME | Note | | |
| Income From financial assets: | | | |
| Profit on bank deposits | | 780,376 | 10,246 |
| Liability written off | | 79,533,390 | - |
| Amortization of deferred govt grant | | 1,174,697 | 789,920 |
| | | <u>81,488,463</u> | <u>800,166</u> |
| | | <u>81,488,463</u> | <u>800,166</u> |



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| | Note | 2023 Rupees | 2022 Rupees |
|------------------------------------|------|-------------------|------------------|
| 34 FINANCE COST | | | |
| Mark up / interest on : | | | |
| Long term borrowings | | 90,892 | 370,293 |
| Workers' profit participation fund | | 382,027 | 84,906 |
| Bank charges and commission | | 1,319,151 | 393,931 |
| | | <u>1,792,070</u> | <u>849,130</u> |
| 35 TAXATION | | | |
| Current | | | |
| For the year | 35.1 | 15,998,890 | 9,107,427 |
| For prior year | | 72,925 | (794,283) |
| | | <u>16,071,815</u> | <u>8,313,144</u> |
| Deferred | | | |
| Current year | | 194,241 | 1,102,885 |
| | | <u>16,266,056</u> | <u>9,416,029</u> |

35.1 Provision for current tax for the year has been made in accordance with section 18 and 113 of the Income Tax Ordinance, 2001. Income tax assessment of company has been finalized upto tax year 2022.

35.2 Numerical reconciliation between average tax rate and applicable tax rate is not presented as current tax liability is calculated under Sec 113.

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|----------------|----------------|
| 36 EARNINGS PER SHARE - BASIC AND DILUTED | | | |
| Profit for the year | | 77,845,064 | 17,488,745 |
| | | <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> |
| Earnings per share - basic | | 1.5792 | 0.3548 |

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

37 TRANSACTIONS WITH RELATED PARTIES

37.1 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 loan received to meet working capital requirements. The company's aggregate transactions with the associated companies are as follows:

| Name of the Company | Basis of relationship | Percentage of shareholding | | |
|----------------------------------|---|----------------------------|----------------|----------------|
| Redco Pakistan Limited | Common Directorship | N/A | | |
| Royal Holdings (Private) Limited | Common Directorship | N/A | | |
| Name | Basis of relationship | Percentage of shareholding | | |
| Saif Ur Rehman Khan | Sponsor | 17% | | |
| Sarah Muhammad Saya | Chief Executive | 33% | | |
| Associated companies | Nature of transactions | | 2023 Rupees | 2022 Rupees |
| Redco Pakistan Limited | Inter company advance / loan - receipts | | 83,291,208 | 70,812,094 |
| Redco Pakistan Limited | Inter company advance / loan - payment | | 4,896,475 | 5,537,160 |

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

| Related parties | Nature of transactions | | 2023 Rupees | 2022 Rupees |
|---------------------|--|--|----------------|----------------|
| Saif Ur Rehman Khan | Borrowing from major share holder - receipts | | 703,762,500 | 335,530,141 |
| Saif Ur Rehman Khan | Borrowing from major share holder - payment | | 3,061,187 | 4,790,632 |

37.3 There are no transactions with key management personnel other than under their terms of employment as disclosed in note 38.

38 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 follows:

| | 2023 | | | 2022 | | |
|-------------------------|------------------|-----------|-------------------|------------------|-----------|-------------------|
| | Chief executive | Directors | Executives | Chief executive | Directors | Executives |
| | <u>Rupees</u> | | | <u>Rupees</u> | | |
| Managerial Remuneration | 3,655,632 | - | 17,096,390 | 3,655,632 | - | 14,597,243 |
| | <u>3,655,632</u> | <u>-</u> | <u>17,096,390</u> | <u>3,655,632</u> | <u>-</u> | <u>14,597,243</u> |
| Number of Persons paid | <u>1</u> | <u>-</u> | <u>7</u> | <u>1</u> | <u>-</u> | <u>5</u> |

38.1 Other than one Director / Chief executive, company has not paid any fee or remuneration to executive / non executive directors of the company (June 30, 2022 : Rs. Nil).



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 39.1 Credit risk
- 39.2 Liquidity risk
- 39.3 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.

39.1 Credit risk

39.1.1 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.221.150 million (June 30, 2022 : 179.397 million), financial assets which are subject to credit risk aggregate to Rs.172.607 million (June 30, 2022 : Rs.173.468 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:

The carrying amount of financial assets, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

| | 2023 Rupees | 2022 Rupees |
|------------------------|--------------------|--------------------|
| Long term deposits | 12,021,879 | 10,019,079 |
| Long term investments | 39,000 | 39,335 |
| Trade debts | 156,961,716 | 159,570,596 |
| Loan and advances | 3,584,736 | 3,839,736 |
| Cash and bank balances | 48,542,883 | 5,929,108 |
| | <u>221,150,214</u> | <u>179,397,854</u> |

39.1.2 The maximum exposure to credit risk for trade debts at the statement of financial position date by geographical region is as follows.

| | 2023 Rupees | 2022 Rupees |
|------------|--------------------|--------------------|
| Domestic | 172,007,501 | 173,995,734 |
| Export | - | - |
| | <u>172,007,501</u> | <u>173,995,734</u> |
| Impairment | (15,045,785) | (14,425,138) |
| | <u>156,961,716</u> | <u>159,570,596</u> |

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

| | 2023 Rupees | 2022 Rupees |
|------------|--------------------|--------------------|
| Yarn | 3,150,122 | 3,150,123 |
| Fabric | 164,717,835 | 167,600,176 |
| Waste | 4,139,544 | 3,245,435 |
| | <u>172,007,501</u> | <u>173,995,734</u> |
| Impairment | (15,045,785) | (14,425,138) |
| | <u>156,961,716</u> | <u>159,570,596</u> |

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

| | Gross debtors | |
|---------------------------|--------------------|--------------------|
| | 2023 | 2022 |
| | Rupees | |
| Not past due | 151,361,252 | 18,004,440 |
| Past due 90 days - 1 year | 1,333,626 | 42,321,883 |
| More than one year | 19,312,623 | 113,669,411 |
| | <u>172,007,501</u> | <u>173,995,734</u> |
| Impairment | (15,045,785) | (14,425,138) |
| | <u>156,961,716</u> | <u>159,570,596</u> |

39.2 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.

| | 2023 | | | | | | |
|---|----------------------|------------------------|----------------------|----------------------|-----------------|-------------------|----------------------|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | One to two year | Two to five years | More than five years |
| | Rupees | | | | | | |
| Non - derivative Financial liabilities | | | | | | | |
| Long term financing from banking companies | - | - | - | - | - | - | - |
| Accrued Mark up / interest | - | - | - | - | - | - | - |
| Trade and Other Payables | 152,095,191 | 152,095,191 | 152,095,191 | - | - | - | - |
| Short term borrowings: | | | | | | | |
| from associated undertaking | 848,390,650 | 848,390,650 | 848,390,650 | - | - | - | - |
| from directors and others | 1,671,852,477 | 1,671,852,477 | 1,671,852,477 | - | - | - | - |
| | <u>2,672,338,318</u> | <u>2,672,338,318</u> | <u>2,672,338,318</u> | - | - | - | - |



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2022

| 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 |
|--|------------------------|--------------------|----------------------|-----------------|-------------------|----------------------|
| | | | | | | |
| Non - derivative | | | | | | |
| Financial liabilities | | | | | | |
| Long term financing from banking companies | | | | | | |
| 8,155,873 | 8,242,007 | 8,242,007 | - | - | - | - |
| Accrued Mark up / interest | | | | | | |
| 52,651 | 52,651 | 52,651 | - | - | - | - |
| Trade and Other Payables | | | | | | |
| 216,187,509 | 216,187,509 | 216,187,509 | - | - | - | - |
| Short term borrowings: | | | | | | |
| from associated undertaking | | | | | | |
| 769,995,917 | 769,995,917 | 769,995,917 | - | - | - | - |
| from directors and others | | | | | | |
| 971,151,164 | 971,151,164 | 971,151,164 | - | - | - | - |
| 1,965,543,114 | 1,965,629,248 | 1,965,629,248 | - | - | - | - |

39.2.1 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.

39.3 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.

39.3.1 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.

39.3.2 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:

| | 2023 Rupees | 2022 Rupees |
|----------------------------------|----------------|----------------|
| Fixed rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| Variable rate instruments | | |
| Financial assets | 11,870,983 | 79,823 |
| Financial liabilities | - | 8,214,125 |

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, 2022.

| | Profit and loss | | Equity | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 100 BP increase | 100 BP decrease | 100 BP increase | 100 BP decrease |
| | Rupees | | | |
| Cash flow sensitivity - variable rate instruments 2023 | - | - | - | - |
| Cash flow sensitivity - variable rate instruments 2022 | 82,141 | (82,141) | 82,141 | (82,141) |

39.4 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk as it does not hold financial instruments based commodity prices.

39.5 Off balance sheet items

Bank guarantees issued in ordinary course of business

| | 2023 Rupees | 2022 Rupees |
|---|----------------|----------------|
| Bank guarantees issued in ordinary course of business | 48,340,753 | 48,340,753 |

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

39.7 Fair value of Financial assets & liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial assets measured at fair value is shown below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

| | Carrying Amount | | | | | |
|-------------------------|-----------------------------------|---|-------------------|-----------------------------------|---|--------|
| | 2023 | | | 2022 | | |
| At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income | At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income | |
| Rupees | | | | | | |
| Financial assets | | | | | | |
| Long term Investments | - | - | 39,000 | - | - | 39,335 |
| Long term deposits | 12,021,879 | - | - | 10,019,079 | - | - |
| Trade Debt | 156,961,716 | - | - | 159,570,596 | - | - |
| Loans and advances | 3,584,736 | - | - | 3,839,736 | - | - |
| Cash & Bank | 48,542,883 | - | - | 5,929,108 | - | - |
| | 221,111,214 | - | 39,000 | 179,358,519 | - | 39,335 |



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| Carrying Amount | | | | | |
|-------------------|-----------------------------------|---|-------------------|-----------------------------------|---|
| 2023 | | | 2022 | | |
| At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income | At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income |

-----Rupees-----

Financial Liabilities

| | | | | | | |
|--|----------------------|---|---|----------------------|---|---|
| Long term financing from banking companies | - | - | - | 8,155,873 | - | - |
| Trade and other payables | 390,314,444 | - | - | 220,357,886 | - | - |
| Accrued mark up / interest | - | - | - | 52,651 | - | - |
| Short term borrowings from associated undertakings | 848,390,650 | - | - | 769,995,917 | - | - |
| Short term borrowings from directors and others | 1,671,852,477 | - | - | 971,151,164 | - | - |
| | <u>2,910,557,571</u> | - | - | <u>1,969,713,491</u> | - | - |

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyzes financial assets that are measured at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : Quoted prices in active markets for identical assets and liabilities;
- Level 2 : Observable inputs; and
- Level 3 : Unobservable inputs.

The Company held the following financial assets at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
|--|---------|---------|---------|-------|

-----Rupees-----

JUNE 30, 2023

At fair value through other comprehensive income

| | | | | |
|-----------------------|--------|---|---|--------|
| Long term investments | 39,000 | - | - | 39,000 |
|-----------------------|--------|---|---|--------|

JUNE 30, 2022

At fair value through other comprehensive income

| | | | | |
|-----------------------|--------|---|---|--------|
| Long term investments | 39,335 | - | - | 39,335 |
|-----------------------|--------|---|---|--------|

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Long term Investments

The fair value of long term investments is determined by reference to their quoted closing value as at the reporting date.

40 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.

| | | | |
|------------------------|------------|----------------------|----------------------|
| | | 2023 | 2022 |
| Borrowings | Rupees | 2,450,643,626 | 1,671,547,580 |
| Total equity | Rupees | 303,994,251 | 226,625,077 |
| Total capital employed | Rupees | <u>2,754,637,877</u> | <u>1,898,172,657</u> |
| Gearing ratio | Percentage | <u>89%</u> | <u>88%</u> |

41 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.

| | 2023 | 2022 |
|--|------------|------------|
| Weaving | | |
| Number of looms installed | 200 | 180 |
| Installed capacity at 60 picks - meters | 64,348,888 | 56,645,983 |
| Capacity utilized | 71% | 64% |
| Actual production of cloth - meters | 35,846,322 | 30,261,835 |
| Actual production of cloth converted at 60 picks at 100% efficiency - meters | 45,799,463 | 36,253,913 |
| Number of shifts per day | 3 | 3 |
| Number of shifts worked per year | 1083 | 1089 |

42 NUMBER OF EMPLOYEES

| | | |
|--|------------|------------|
| Number of employees worked at June 30, | 549 | 699 |
| Average number of employees worked during the year | <u>623</u> | <u>606</u> |



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43 CORRESPONDING FIGURES

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

44 DATE OF AUTHORIZATION FOR ISSUE

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

45 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



بورڈ میٹنگز

سال کے دوران چھ بورڈ میٹنگز وقوع پذیر ہوئی ہیں، جنکی حاضری مندرجہ ذیل ہے:

| نمبر شمار | ڈائریکٹر کا نام | حاضری |
|-----------|------------------------|-------|
| ۱ | محترمہ سارہ محمد ساییہ | 6 |
| ۲ | محترمہ منیزہ سیف خان | 5 |
| ۳ | محترم جنید خان | 5 |
| ۴ | محترم عرفان احمد صدیقی | 6 |
| ۵ | محترمہ عائشہ سیف خان | 4 |
| ۶ | محترم احسان الرحمن خان | 5 |
| ۷ | محترم خالد رحمان خان | 3 |

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 صلے کی کمیٹی

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

ایکسٹرنل آڈیٹر

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

بحکم بورڈ آف ڈائریکٹرز

سارہ محمد ساییہ

سی۔ ای۔ او

عرفان احمد صدیقی

ڈائریکٹر

اسلام آباد

بتاریخ: ۰۴ اکتوبر ۲۰۲۳ء



ڈیوڈنڈ کی تقسیم

کمپنی باقی ماندہ ڈیوڈنڈ کا طریقہ کار اپنا رہی ہے اور ورکنگ کیپیٹل کی بیس کو بڑھا رہی ہے 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 سٹیٹمنٹ بیان کر رہے ہیں۔
- ۱۔ کمپنی کی مینجمنٹ کی طرف سے پیش کردہ فنانشل سٹیٹمنٹ 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 سٹیٹنڈرز اور IAS انٹرنیشنل آڈیٹنگ سٹیٹنڈرز جیسے پاکستان میں نافذ العمل ہیں، فنانشل سٹیٹمنٹ 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 سٹیٹمنٹ 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 کوئی شک نہیں ہے۔
- ۷۔ لسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی بے ضابطگی عمل میں نہیں آئی ہے۔
- ۸۔ گزشتہ چھ (6) سال کا اہم آپریٹنگ اور مالیاتی ڈیٹا خلاصے کی شکل میں ساتھ لگا دیا گیا ہے۔
- ۹۔ 30 جون 2023ء تک کوئی جرمانہ واجب الادا نہیں ہے۔
- ۱۰۔ حصہ داری کی ترتیب اور اضافی معلومات ساتھ لگا دی گئی ہیں۔
- ۱۱۔ دوران سال کمپنی کے حصص میں ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری، ان کے شریک حیات اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی۔



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اعتراف:

ہم عاجزی اور تعریف کے ساتھ اللہ تعالیٰ کے سامنے اپنا سر جھکاتے ہیں جو بہت مہربان اور رحم کرنے والا ہے کہ وہ ہمیں رہنمائی دے اور ہم امید کرتے ہیں کہ کمپنی اس کے بے شمار فضل سے فیض یاب ہوتی رہے گی۔

ہم اس موقع پر قابل قدر شیئر ہولڈرز، بینکوں، گاہکوں اور سپلائرز کے تعاون اور مسلسل مدد کے لیے شکر گزار ہیں جن کے تعاون اور مسلسل پشت پناہی نے کمپنی کو ترقی کی راہ پر ڈال دیا ہے۔ سال کے دوران انتظامیہ اور ملازمین کے درمیان خوشگوار تعلقات قائم رہے اور ہم کمپنی کے لیے کام کرنے کے لیے ان کی لگن، مستعدی اور نیک نیتی کی تعریف کرتے ہیں۔

مستقبل کے امکانات:

حکومت کو درپیش درآمدی ادائیگیوں، زرمبادلہ کے ذخائر میں کمی اور غیر یقینی سیاسی صورتحال سے پیدا ہونے والی مشکلات کے باعث روپے کا دباؤ میں رہنے کا امکان ہے۔ بلند افراط زر کے باعث درآمدات مزید مہنگی ہو جائیں گی۔ مالی سال 2023-24 میں مشکل دورانیے کی توقع ہے۔ کپاس کی مقامی فصل کی پیداوار میں بڑی کمی کی وجہ سے صنعت کو خام کپاس درآمد کرنے کی ضرورت ہوگی جو کہ روپے کی قدر میں کمی کے باعث مہنگی ہوگی۔ حکومت کو بروقت انکم ٹیکس اور سیلز ٹیکس ریفرنڈم جاری کر کے کارپوریٹ سیکڑ کی لیکویڈیٹی کو بہتر بنانے کے لیے صحیح اقدامات اٹھانے کی ضرورت ہے۔ سال کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں کئی گنا اضافہ کر کے مہنگائی کو کنٹرول کرنے کے لیے انتہائی سخت موقف اپنایا ہے جس کی وجہ سے ترقی کم ہونے اور اضافی دباؤ کا خدشہ ہے۔

بلند درآمدی بلوں کے ساتھ ساتھ غیر ملکی زرمبادلہ کے ذخائر پر مسلسل دباؤ نے پاکستان کی میکرو اکنامک صورتحال بالخصوص پاکستان کی ادائیگیوں کے توازن کے لیے سنگین خطرات پیدا کئے ہیں۔ بجلی کی قیمتوں میں مسلسل اضافہ، گیس کی قیمتوں میں متوقع اضافہ اور آنے والے سرد موسم میں صنعتوں اور گھریلو صارفین کو گیس کی فراہمی میں متوقع کمی کی وجہ سے ملک کو ایک بار پھر توانائی کے شدید بحران کا سامنا ہے۔ ان تمام مسائل کے منفی اثرات کو کم کرنے کے لیے حکومت کو دانشمندانہ اور فعال اقدامات اٹھانے کی ضرورت ہے۔

آپ کی انتظامیہ کاروباری ماحول کے حوالہ سے پر امید ہے کیونکہ ہم ایندھن اور بجلی کی قیمتوں میں اضافہ کی وجہ سے بڑھنے والی کاروباری لاگت کے منفی اثرات کو زائل کرنے کے لیے پلان بنا رہے ہیں تاکہ ہم اس مشکل صورتحال میں کامیاب ہو سکیں۔



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اختتام شدہ سال 30 جون 2023ء میں آپ کی کمپنی کا قبل از ٹیکس منافع 94.11 ملین روپے (30 جون 2022 میں 26.90 ملین روپے) ہے۔ سالانہ کارکردگی کا پچھلے سال کے ساتھ ذیل میں موازنہ کیا گیا ہے:-

| سال 2022 روپے | سال 2023 روپے | |
|------------------|------------------|-----------------------|
| 728,594,157 | 870,963,477 | خالص فروخت |
| 662,747,166 | 821,183,461 | فروخت کی لاگت |
| 65,846,991 | 49,780,016 | مجموعی منافع |
| 502,596 | 539,899 | ڈسٹری بیوشن لاگت |
| 22,811,205 | 25,043,426 | انتظامی اخراجات |
| 15,579,452 | 9,781,964 | دیگر آپریٹنگ اخراجات |
| 38,893,253 | 35,365,289 | آپریٹنگ منافع |
| 26,953,738 | 14,414,727 | دیگر آپریٹنگ آمدنی |
| 800,166 | 81,488,463 | |
| 27,753,904 | 95,903,190 | |
| 849,130 | 1,792,070 | فنانس لاگت |
| 26,904,774 | 94,111,120 | ٹیکس سے پہلے کا منافع |
| 0.355 | 1.579 | فی حصص منافع |

اس سال کے دوران کمپنی نے فروخت کا صحت مندانہ رجحان برقرار رکھا اور 20 فیصد اضافہ کے ساتھ 871 ملین روپے کی خالص فروخت کی آمدنی حاصل کی ہے جو کہ 2022ء میں 728.6 ملین روپے تھی۔ اس سال فروخت کی لاگت 821.18 ملین روپے (30 جون 2022ء میں 662.75 ملین روپے) رہی جس میں 24 فیصد اضافہ ہوا ہے جسکی بنیادی وجہ یوٹیلٹیز کی لاگت میں اضافہ، روپے کی قدر میں کمی اور نئی لومز کی شمولیت کے باعث اسٹور، سپنر پارٹس اور اوزار کی کھپت میں اضافہ ہے۔

زیر نظر سال میں مجموعی منافع 49.78 ملین روپے ہے جبکہ گزشتہ سال 65.847 ملین روپے کا مجموعی منافع تھا جبکہ موجودہ سال میں قبل از ٹیکس منافع 94.111 ملین روپے ہے جو کہ گزشتہ سال 26.905 ملین روپے کا تھا۔ دیگر آمدنی میں اضافہ کی وجہ یہ ہے کہ انتظامیہ نے تین سال سے زائد بقایا رہنے والے ایک قرض کو ختم کرنے کا فیصلہ کیا ہے۔



ڈائریکٹرز رپورٹ

ریڈ کو ٹیکسٹائلز لمیٹڈ کے ڈائریکٹرز 32 واں سالانہ میزانیہ بمعہ آڈیٹڈ فنانشل سٹیٹمنٹس اور آڈیٹرز رپورٹ جو کہ اختتام شدہ سال 30 جون 2023 کے لیے ہے اور باقی ضروری معلومات جو کہ کوڈ آف کارپوریٹ گورننس میں واضح کی گئی ہیں کو پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مجموعی جائزہ:

کمپنی نے خاص طور پر اپنے ویونگ ڈویژن میں معیار کو بہتر بنانے اور پیداوار کو بڑھانے ساتھ ساتھ اپنے پلانٹ اور مشینری میں تجدید کی پالیسی کو جاری رکھا ہوا ہے۔ اسی نتیجے میں کمپنی نے اس عرصہ میں 20 نئی ٹویوٹا ایئر جیٹ لومز شامل کی ہیں۔ اس سے (ویونگ) ڈویژن کی پیداواری صلاحیت اور آپریشنل کارکردگی میں مزید اضافہ ہوگا۔ عالمی اور مقامی منڈیوں میں افراط زر کی بلند شرح، سخت معاشی حالات اور ملک میں جاری سیاسی بے یقینی کے باوجود کمپنی نے موجودہ سال کے دوران منافع حاصل کیا ہے۔

مالی سال 2022-23 کے دوران پاکستان کو بڑے پیمانے پر سیلاب کا سامنا کرنا پڑا جس سے قیمتی انسانی جانوں اور انفراسٹرکچر کو نقصان پہنچا، مختلف متعدی بیماریاں پھیلیں اور زرعی فصلیں تباہ ہو گئیں جن میں سے ایک کپاس کی فصل بھی ہے۔ اس سب نے توانائی اور خام مال کی بلند قیمتوں اور بلند شرح سود کے ساتھ مل کر صنعت پر ناخوشگوار اثرات مرتب کئے ہیں۔ زیادہ درآمدی ضرورت کی وجہ سے کرنسی پر بہت زیادہ دباؤ ہے جس کی وجہ سے بین الاقوامی طور پر یہ اپنی قدر رکھو رہی ہے۔ روس یوکرین جنگ کے نتیجے میں عالمی سطح پر بلند شرح مہنگائی اور ایندھن کی قیمتوں میں ہونے والے اضافہ کے باعث عالمی معیشتیں شدید دباؤ کا شکار ہیں۔ ضرورت سے زیادہ یوٹیلیٹی لاگت نے صارفین کے لیے دستیاب آمدنی کو کم کر دیا ہے جس کے نتیجے میں ٹیکسٹائل اور اس سے متعلقہ غیر ضروری مصنوعات کی مانگ میں کمی واقع ہوئی ہے۔

30 جون 2023ء کو ختم ہونے والے سال کے دوران آپ کی کمپنی نے 870.96 ملین روپے کی فروخت پر 49.78 ملین روپے کا مجموعی منافع کمایا ہے جبکہ پچھلے سال اسی مدت میں 728.59 ملین روپے کی فروخت پر مجموعی منافع 65.85 ملین روپے رہا۔ رواں مالی سال آپ کی کمپنی نے پچھلے سال کے اسی عرصہ کے 17.49 ملین روپے خالص منافع کے مقابلہ میں 77.85 ملین روپے کا خالص منافع حاصل کیا ہے۔

آپریشنل اور مالی کارکردگی:

اللہ تعالیٰ کے فضل و کرم سے انتظامیہ نے کمپنی کے بہترین مفاد میں اقدامات کئے ہیں اور سال بھر جاری رہنے والے سخت معاشی حالات اور سیاسی غیر یقینی صورتحال کو مد نظر رکھتے ہوئے کمپنی کے نتائج کو تسلی بخش قرار دیا جاسکتا ہے۔ کمپنی نے رواں سال اپنے اثاثوں خصوصاً بلڈنگ اور مشینری میں نمایاں سرمایہ کاری کی ہے۔

چیرمین کی جائزہ رپورٹ

مجھے بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد حاصل کرنے کے ساتھ ساتھ کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی تعمیل کو یقینی بنانے کے بارے میں رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

بورڈ نے کمپنی اور شیئر ہولڈرز کے بہترین مفاد میں دیانتداری سے اپنے فرائض سرانجام دیئے ہیں۔ میں نے بطور بورڈ چیئر پرسن اس بات کو یقینی بنایا کہ اہداف کے حصول پر توجہ دیتے ہوئے بورڈ کے اجلاس خوشگوار ماحول میں منعقد ہوں۔

مالی سال 2022-23 کے دوران توانائی کی قیمتوں میں ہوشربا اضافہ، افراط زر کی بلند شرح، امریکی ڈالر کے مقابلے میں روپے کی قدر میں بڑے پیمانے پر کمی، سخت معاشی حالات اور سیاسی بد امنی کی وجہ سے پیدا ہونے والے آپریشنل چیلنجز کے باوجود ہم نے محتاط کوششوں سے منافع حاصل کیا ہے۔

ریڈ کو ٹیکسٹائلز لمیٹڈ، بورڈ آف ڈائریکٹرز اور اسکی کمیٹیوں کی تشکیل، طریقہ کار اور میٹنگز کے حوالہ سے قانون میں بیان کردہ تمام تقاضوں کی تعمیل کرتی ہے۔ بورڈ اور اسکی کمیٹی کے اجلاسوں سے قبل متعلقہ بورڈ ایجنڈے اور معاون دستاویزات مناسب وقت میں بورڈ کو فراہم کر دی گئی تھیں۔ بورڈ نے متعلقہ قوانین اور ضابطوں کے مطابق اپنے تمام اختیارات استعمال کئے ہیں اور بورڈ کے اہم مباحثوں اور فیصلوں میں نان ایگزیکٹو اور آڈائریکٹرز برابر شامل ہوتے ہیں۔

اس سال کے دوران بورڈ آف ڈائریکٹرز نے آپریشنل حکمت عملیوں اور نئے مالی اور آپریشنل اہداف کے تعین پر توجہ مرکوز کی ہے۔ بورڈ نے باقاعدگی سے بجٹ کے اہداف پر نظر رکھی ہے۔ بورڈ کی ذیلی کمیٹیوں نے بھی زیر نظر سال کے دوران اپنے فرائض بخوبی سرانجام دئے ہیں۔ بورڈ نے سال کے دوران اپنی کارکردگی کا جائزہ لیا ہے جو کافی اطمینان بخش رہا ہے۔

منیرہ سیف خان
چیئر پرسن

اسلام آباد
بتاریخ: ۰۴ اکتوبر ۲۰۲۳ء



REDCO TEXTILES LIMITED

ISO 9001 2000 Certified

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 32nd Annual General Meeting of the company to be held on 27th day of October, 2023 at 09:00 am and at every adjournment thereof.

As witness me/ our hand(s) this _____ day of _____ 2023



Signed _____ day of _____ 2023
(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

ریڈکو ٹیکسٹائلز لمیٹڈ

لیچرفوئیو نمبر _____ اور یا،

سی۔ ڈی۔ سی شریک کارآئی۔ ڈی نمبر _____ سب اکاؤنٹ نمبر _____

کمپنی سیکرٹری

ریڈکو ٹیکسٹائلز لمیٹڈ، ریڈکو آرکیڈ، E-78

بلیو ایریا، اسلام آباد۔

میں رہم _____ ساکن _____

تقرر _____

ساکن _____

عدم موجودگی مستی رسما _____

ساکن _____

کولٹور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 32 ویں سالانہ اجلاس عام جو بتاریخ 27 اکتوبر 2023ء بوقت 09:00 بجے صبح منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط بقلم خود _____ تاریخ ہذا _____ مہینہ _____ 2023ء



دستخط _____ تاریخ ہذا _____ مہینہ _____ 2023ء

(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 ایسوسی ایشن آف کمپنی کے آرٹیکل نمبر 56 کے تحت پراکسی مقرر کر سکتا ہے، پراکسی دستاویزات موثر 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 ریڈکو آرکیڈ، E-78، بلیو ایریا، اسلام آباد میں موصول ہو جانا چاہیے۔

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

وہ پراکسی جو سی 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 کمپیوٹرائزڈ قومی شناختی کارڈ دکھانا ضروری ہوگا۔



REDCO TEXTILES LIMITED

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