Weaving A Better World ★ A Better Pakistan ®

# Feroze1888 Mills Limited

Manufacturers & Exporters of Specialized Yarn & Textile Terry Products

# ANNUAL REPORT | 2017

## CONTENTS







## COMPANY INFORMATION

**Board of Directors**

| | |
|---|---|
| Mr. Jonathan R. Simon | Director/Chairman |
| Mr. Anas Rahman | Director/Vice Chairman |
| Mr. Khaleequr Rahman | Director |
| Mr. Shabbir Ahmed | Director |
| Mr. Abdul Rehman Yaqub | Director |
| Mr. Perwez Ahmed | Director |
| Mr. Nasim Hyder | Director |
| Mr. Rehan Rahman | Chief Executive |

**Audit Committee**

| | |
|---|---|
| Mr. Nasim Hyder | Chairman |
| Mr. Khaleequr Rehman | Member |
| Mr. Perwez Ahmed | Member |

**HR & Remuneration Committee**
Mr. Khaleequr Rahman
Mr. Nasim Hyder
Mr. Anas Rahman

**Chief Financial Officer**
Mr. Imran Tola

**Company Secretary**
Mr. Muhammad Faheem

**Bankers**
Bank Al Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Ltd
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Ltd

**Auditors**
Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
180-A, S.M.C.H.S.,
Shahrah-e-Faisal, Karachi

**Legal Advisor**
Mohsin Tayebaly & Co

**Registered Office**
H-23/4A, Scheme # 3
Landhi Industrial Area
Karachi.

**Head Office**
B-4/A, SITE, Karachi

**Factory**
**Sindh**
H-23/4A, Scheme # 3
Landhi Industrial Area
Karachi.
Plot # C-3, SITE, Karachi.
Plot # C-31 SITE, Karachi
Plot # A-5, SITE, Karachi.
Plot # F-89, SITE, Karachi
Plot # F-125, SITE, Karachi
Plot # F-342, SITE, Karachi
Plot # D-202, SITE, Karachi
S-81, Northern Bypass,
Hub River Road, Karachi.

**Balochistan**
D-14, HITE, Hub, Lasbela, Balochistan.

**Share Registrar/Transfer Agent**
FAMCO Associate (Pvt.) Ltd
8-F, Next to Hotel Faran Nursery,
Block-6, PECHS,
Shahrah-e-Faisal,
Karachi.

**Website**
http://www.feroze1888.com

## VISION

Our aim is to be a market leader in terry textile manufacturing with our strong commitments to 3Ps (People-Planet-Prosperity). We will prosper by creating unmatchable value for our global customer & stakeholders through our exceptional quality products & services.

## MISSION

We are leading vertically integrated industry known for its state of the art machinery, infrastructure, standardized systems, production processes and adopting ideology of 3Ps (People-Planet-Prosperity). We are committed to the ongoing learning, development & growth of our valued employees. Our Focus is on building an environment of prosperity & gratification for all our customers & stakeholders through our operational excellence & solution based innovations.





## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 45th Annual General Meeting of the Company will be held on Thursday, October 26, 2017 at 09:30 a.m. at B-4/A, SITE, Karachi to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2017 together with the Directors' Report and Auditors' Report thereon.

2. To consider and approve final cash dividend for the year ended June 30, 2017 @ Rs.1.70 per share (17%) to all shareholders of the company as recommended by the Board of Directors in addition to already paid interim dividend @ Rs. 1.00 per share (10%).

3. To appoint auditors of the Company and fix their remuneration for the financial year 2017-18. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed the appointment of EY Ford Rhodes, Chartered Accountant, as External Auditors, of the Company for the year 2017-2018.

4. To consider any other business with the permission of the Chair.

By order of the Board
**(Muhammad Faheem)**
Company Secretary

Karachi: September 26, 2017

**Notes:**

1. Share Transfer Books of the Company will remain closed from Friday, October 20, 2017 to Thursday, October 26, 2017 (both days inclusive). Transfer received at the office of Share Registrar at the close of business on Thursday October 19, 2017 will be considered in time to attend and vote at the meeting and for the purpose of above entitlement to the transferees.

2. A member of the Company entitled to attend and vote at this meeting may appoint a proxy to attend, speak and vote instead of him/her. A proxy must be a member of the company. An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must to be valid be received at the Registered Office of the Company or at the Office of the Share Registrar not later than forty eight hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a Member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments shall be rendered invalid. The proxy shall produce his/her Original National Identify Card or Passport to prove his/her identity.

3. Members are requested to submit copies of their CNICs and promptly notify any change in their address by writing to the office of the registrar.

4. Members should quote their Folio/CDC number in all correspondence and at the time of attending the Meeting.

5. In pursuance of section 242 of the Company Act, 2017 which mandates all listed companies to pay dividend only by way of electronic mode directly into the bank account of entitle shareholder designated by them. Therefore, through this notice all shareholders are requested to update their bank account details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to company Share Registrar, M/s. FAMCO Associates (Pvt.) Ltd.

   Please note that after October 31, 2017 all dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

6. Shareholders are informed that the Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. Theses tax rates are as under:

| | | |
|---|---|---|
| a). | for Filers of Income Tax Return | 15% |
| b). | for Non-filer of Income Tax Return | 20% |

   Shareholders are advised to provide their CNIC/NTN to Share Registrar of the Company for availing the benefit of withholding tax rate applicable to filers.

7. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our share registrar M/s. FAMCO Associates (Pvt.) Ltd to collect/enquire about their unclaimed dividend or pending shares, if any.

   Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the Securities and Exchange Commission of Pakistan.

8. SECP SRO 787(I)/2014 Dated September 8, 2014, the company can Circulate its annual Financial Statement alongwith Company's Notice of Annual General Meeting through email to its shareholders of the company who wish to receive Annual Audited Report via email are requested to provide the complete consent form to the company email consent form already available at our website.

**9. GUIDELINES FOR CDC ACCOUNT HOLDERS ISSUED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

**For personal attendance:**

(i) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card at the time of attending the meeting.





(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**For appointing proxy**

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy must be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) number shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his/her Original CNIC or Original Passport at the time of the meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless has been provided earlier) alongwith proxy form to the Company.

**Registered Office:**
Feroze1888 Mills Limited
H-23/4A, Scheme 3 Landhi Industrial Area Landhi
Karachi

**Share Registrar:**
FAMCO Associates (Pvt.) Ltd
8-F, Next to Hotel Faran, Nursery, Block 6,
PECHS, Shahrae-Faisal Karachi

## CHAIRMAN'S REVIEW

**Review Report by the Chairman on Board's overall performance and effectiveness of the role played by the Board in achieving Company's objectives under section 192 of the Companies Act, 2017:**

I am pleased to present to the members of Feroze1888 Mills Limited (the "Company"), the performance review and the role played by the Board for the financial year ended 30 June 2017.

**Economic Outlook**

During the financial year 2016-17, the economy had grown by 5.3%, missing the growth target of 5.7%. Pakistan has exceeded 5% GDP growth after almost 10years. In 2013, Pakistan was in the range of 3% growth and within 4% for the next couple of years. Agricultural sector had grown by 20%, the services sector by 60% and industry by 21%.

At the macro-economic level, Pakistan missed the trade deficit target of Rs 20.4 billion, with the actual deficit widening to Rs 24 billion. The current account deficit expanded to USD 7.25 billion in fiscal year 2016-17. Further, the foreign exchange reserves of the country have reached nearly USD 21 billion.

Pakistan continues on its economic progress trajectory, which enhanced during the year under review and most macroeconomic indicators, other than the balance of payments, generally remained stable. The budgeted growth target for the financial year 2017-18 is 6% of the GDP. The country's annual cotton requirement is 15 million bales whereas current production is 10 million bales and the government is working effectively to bridge the gap.

**Business Performance**

During the year under review, consolidated profit after tax at PKR 2,490 million is 35 % lower than the same period last year. Performances during the year were positive and company ended up with 2% growth in net sales revenue at PKR 20,023 million which was mainly caused by an increment in sales volume, however, the selling prices remained low as compared to prior year. On the other hand, increasing trend of raw material prices including inflationary impacts on other major components of operating cost has caused the Company profit margins to shrink sharply.

**Roles and Responsibilities of the Board of Directors**

The Board during the year ended 30 June 2017 played an effective role in managing the affairs of the Company and attaining its objectives in the following manner:

1. Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Furthermore, the Board sets annual goals and targets for the management in all major performance areas.

2. Board members are familiar with the current vision, mission and values and support them. The Board revisits the mission and vision statement from time to time.

3. The Board has ensured the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and / or internal audit activities.

4. All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee.





5. The Board Audit Committee (BAC) and Human Resources and Remuneration committee met regularly to strengthen the functions of the Board.

6. The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate directions and oversight to the management on a timely basis.

7. The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The non-executive and independent directors were equally involved in all the important board decisions.

8. The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.

I would conclude by extending my gratitude to the Board for their earnest contributions towards the advancement of the Company. I wish to acknowledge the contribution of all our employees in the success of the Company. I wish to thank our shareholders, customers, suppliers, financial institutions and other business partners for confidence and support.

**Jonathan R. Simon**
Chairman/Director

Karachi: September 26, 2017

## DIRECTORS' REPORT

Your directors are pleased to present the 45th Annual Report together with the audited financial statements for the year ended June 30, 2017.

**Business Review and Performance**

The textile sector in Pakistan has significant impact on the economy, contributing around 57% to the country's exports. However, there are serious concerns over a crisis-like situation resulting from declining exports, due to high production costs, regional competition, inconsistent government policies and uncompetitive energy prices, and increased working capital requirements due to holding of refunds by government.

The current year under review was very challenging because of higher raw material prices coupled with lower sale prices. While the volume of sales recorded an increase of 5% compared to the previous year, profits were still adversely affected due to the factors highlighted above. The gross profit margin fell in the year 2016-17 from 28% to 20%, whereas the profit after tax to sales from continued operations was 12.43% as compared to 19.38% in the preceding year.

The management has formed a subsidiary company Xublimity (Pvt.) Limited on 20th April 2017 acquiring 76% of its shares. The subsidiary company will primarily develop comprehensive Enterprise Resource Planning (ERP) software and other IT solutions.

**Earnings per share**

Earnings per share for the year ended June 30, 2017 was Rs. 6.61 compared with Rs. 10.11 per share last year.

**Dividend**

Keeping in view the financial results of the Company, the Board of Directors of the Company has recommended a final cash dividend of @ 17% i.e., Rs.1.70 per share (in addition to 10% interim cash dividend) for all shareholders of the Company.

**Future Outlook**

Given the rising global competition in textiles, as more and more countries realizing that this sector holds paramount importance in shoring up employment and exports. The country must develop a focused approach to boost textile exports as they significantly contribute to the country's GDP.

The State Bank of Pakistan in its monetary policy issued on 22nd July, 2017 stated that economy is on an expansion phase and there is a strong likelihood of continued growth momentum.

The government should ensure that there is easy availability of raw materials. The country's annual requirement of cotton is around 15 million bales whereas production was 10 million bales each in the last two seasons, however, there is still no cotton crop management policy is in place.

The government announced the relief package to the industry in the previous year which assisted the industry, and the company appreciates such steps and anticipates same supportive measures in the future. The government however is yet to release the pending funds such as sales tax refunds, research and development rebates, duty draw back rebates including last year's relief package funds to improve the liquidity of the companies.

To be competitive in market and to give better return to our investors we continue to make efforts and focus on improving efficiencies and productivity, expand our market and customer base, emphasis on value added products and further investment in state of the art technological plant and machineries.





**Corporate Social Responsibility**

The Board of Directors of the Company being aware of their roles and responsibilities, are giving due emphasis on "Corporate Social Responsibility". The yearly objectives of the company as well as of departments and budgets have continued provisions for activities like conserving natural resources, waste reduction and recycling, improving energy efficiency and enhancing environmental performance by reducing spills and releases.

The Company has "Social Responsibility Squad" established and managed jointly by management with the emphasis on areas like health, safety, environment and education. In order to create awareness amongst the employees, the squad organized and celebrated various events, such as world heart day, world health day, world environment day, earth day and manymore with the help of in house experts, display and distribution of literature and inviting outside faculty and consultants for lectures.

The "Medical Assistance Clinic" has provided consultancy to hundreds of patients a month with free treatments to employees in non-management cadre and with very nominal fee for those working in management cadre.

**CORPORATE GOVERNANCE**

The directors have taken all necessary measures in order to comply with the Code of Corporate Governance in accordance with the listing rules of the Pakistan stock exchange Limited and state that:

1. The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance as defined in the listing regulations of the Pakistan Stock Exchange Limited.
8. Key operating and financial data for the last six years is annexed.
9. There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.
10. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2016 was Rs.328.992 million.
11. Four, four and one meetings of Board of Directors, Audit Committee and HR & Remuneration Committee were respectively held during the year. Attendance by the directors/members is given below:

**Board of Directors:**

| | |
|---|---|
| Mr. Anas Rahman | 04 |
| Mr. Abdul Rehman Yaqub | 04 |
| Mr. Jonathan R. Simon | 04 |
| Mr. Khaleequr Rahman | 04 |
| Mr. Nasim Hyder | 04 |
| Mr. Perwez Ahmed | 04 |
| Mr. Rehan Rahman | 04 |
| Mr. Shabbir Ahmed | 04 |

Mr. Nasim Hyder has been appointed as Director on August 9, 2016 in place of Mr. Faisal Shams Khan who resigned the directorship on May 11, 2016.

| Audit Committee: | | HR & Remuneration Committee: | |
|---|---|---|---|
| Mr. Khaleequr Rahman | 04 | Mr. Anas Rahman | 01 |
| Mr. Nasim Hyder | 04 | Mr. Khaleequr Rahman | 01 |
| Mr. Perwez Ahmed | 04 | Mr. Nasim Hyder | - |
| | | Mr. Rehan Rahman | 01 |

Mr. Nasim Hyder joined HR&R Committee in place of Mr. Rehan Rehman during the year.

12. The Board had arranged orientation course of the CCG for its directors in compliance with the requirement of having at least half of the Board DTP certified at all times as prescribed under the clause 5.19.7 of the CCG.

    During the year, the Company Secretary conducted briefing sessions for directors to acquaint them with the changes in Corporate Laws and Regulations.

13. During the year share trade by Directors and their spouse were notified in writing to the Company Secretary along with the price, number of share, form of share certificate and nature of transaction. All such transactions have been disclosed in the pattern of shareholdings.

    The Statement of Compliance with the Best Practice of Code of Corporate Governance is annexed.

## AUDITORS

The auditors M/s Rahman Sarfaraz Rahim Iqbal Raifq, Chartered Accountants, retires and being eligible, has offered them for re-appointment. Whereas the board of directors endorsed the recommendation of audit committee to appoint, M/s EY Ford Rhodes, Chartered Accountants as external auditors of the company for year 2017-18.

## PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2017 is enclosed to this report as required under the Companies Act 2017, and the Code of Corporate Governance.

## INTERNAL CONTROLS

Your company has adopted effective policies and procedures for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

## ACKNOWLEDGMENT

The Directors are pleased to place on record their appreciation for the contributions made by the employees of the Company and look forward for same cordial relationship in coming years. In addition, management also acknowledges the role of all the financial institutions, customers, suppliers and other stakeholders for their continued support.

For and on behalf of the Board

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive Officer

Karachi: September 26, 2017





# ڈائریکٹر رپورٹ

بصد تشکر، آپ کے ڈائریکٹرز کمپنی کی پینتالیسویں (45th) سالانہ رپورٹ بشمول آڈٹڈ مالیاتی گوشوارے برائے اختتامی مالی سال 30 جون 2017ء پیش کرتے ہیں۔

## کاروباری جائزہ اور کارکردگی

پاکستان میں ٹیکسٹائل کے شعبہ نے معیشت پر اہم اثرات مرتب کئے ہیں اور ملک کی برآمدات میں تقریباً ستاون فیصد (57%) حصہ ڈالا ہے، تاہم، پیداواری لاگت میں اضافہ، ٹیکسٹائل کے شعبے میں علاقائی مسابقت، غیر متواتر حکومتی پالیسیاں، توانائی کی غیر مسابقتی قیمتیں اور حکومت کی جانب سے روکے گئے ریفنڈز اور روزمرہ کا روباری ضرورت کے لئے سرمائے میں اضافہ سخت تشویش کا باعث اور ملکی برآمدات میں مسلسل کمی کا باعث بن رہا ہے۔

موجودہ مالی سال، خام مال کی بڑھتی ہوئی قیمتوں اور ساتھ ساتھ قیمتِ فروخت میں کمی کی وجہ سے مشکلات کا شکار رہا، جبکہ، فروختگی کی شرح نمو گزشتہ مالی سال کے مقابلے میں پانچ فیصد (5%) رہی، دوسری جانب مندرجہ بالا بیان کئے گئے منفی عوامل کی وجہ سے منافع میں منفی رجحان دیکھا گیا ہے، موجودہ مالی سال میں خام منافع کے مارجن (Gross Profit Margin) میں گراوٹ دیکھی گئی اور ۲۰ فیصد (20%) پر رہا جو کہ گزشتہ مالی سال میں ۲۸ فیصد (28%) تھا، دوسری جانب خالص منافع (Profit After Tax) ۱۲.۴ فیصد (12.43%) رہا جو کہ گزشتہ مالی سال ۱۹.۳۸ فیصد (19.38%) تھا۔

مینجمینٹ نے مورخہ ۲۰ اپریل ۲۰۱۷ کو ایک ذیلی کمپنی "Xublimity (Pvt) Limited" تشکیل دے کر ۷۶ فیصد (76%) حصص حاصل کر لئے ہیں۔
مندرجہ بالا ذیلی کمپنی بنیادی طور پر جامع انٹرپرائز ریسورس پلاننگ (ERP) سافٹ ویئر اور IT شعبہ کے جملہ ضروری مصنوعات تیار اور مہیا کرے گی۔

## فی حصص آمدنی

مالی سال ۳۰ جون ۲۰۱۷ کے اختتام پر فی حصص آمدن ۶.۶۱ ریکارڈ کی گئی جو کہ گزشتہ مالی سال ۱۱.۰۱ روپے تھی۔

## تقسیم شدہ منافع

کمپنی کے حالیہ مالیاتی نتائج کو مدِ نظر رکھتے ہوئے، کمپنی کے بورڈ آف ڈائریکٹر نے کمپنی کے تمام حصص یافتگان کیلئے ۱.۷۰ روپے @۱۷ فیصد فی حصص (۱۰ فیصد عبوری ڈیویڈنڈ کے علاوہ) حتمی ڈیویڈنڈ کی شفارش کی ہے۔

## مستقبل پر نظر

ٹیکسٹائل کے شعبہ میں عالمی مسابقت کے پیش نظر اور جیسا کہ زیادہ سے زیادہ ممالک اعتراف کر رہے ہیں کہ ٹیکسٹائل کا شعبہ روزگار اور برآمدات میں ایک عظیم سنگ میل کی اہمیت رکھتا ہے، حکومتی سطح پر ٹیکسٹائل شعبے کی برآمدات، جو کہ ملکی GDP پر خاطر خواہ اثر ڈالتی ہے، کے فروغ کے لئے ایک واضح حکمت عملی مرتب کرنے کی اشد ضرورت ہے۔

اسٹیٹ بینک آف پاکستان نے مورخہ ۲۲ جولائی ۲۰۱۷ کو اپنی مالیاتی پالیسی میں بیان کیا ہے کہ ملکی معیشت توسیع مرحلے میں ہے اور برق رفتار ترقی کے قوی امکانات موجود ہیں۔

ملکی سطح پر کپاس کی سالانہ ضرورت تقریباً ۱۵ ملین بیلز ہیں جبکہ گزشتہ دو سیزنز (Seasons) میں مجموعی پیداوار ۱۰ ملین بیلز رہیں، اس کے باوجود کاٹن مینجمنٹ پالیسی مرتب نہیں کی گئی۔ حکومت کو شعبے کے لئے خام مال کی دستیابی کو یقینی بنانا چاہیے۔

حکومت نے پچھلے سال صنعت کی معاونت کے لئے امدادی پیکج کا اعلان کیا ہے جس کی وجہ سے شعبہ کو کافی مدد ملی ہے، کمپنی حکومتی سطح پر اس طرح کے اقدامات کو سراہتی ہے اور مستقبل میں ایسے ہی معاون اقدامات کی امید رکھتی ہے۔ تاہم حکومت کی جانب سے زیر التواء فنڈز جیسے کہ سیلز ٹیکس، ریسرچ اینڈ ڈیولپمینٹ ریبٹس، ڈیوٹی ڈراء بیک ریبٹس بشمول گزشتہ سال کے امدادی پیکجوں کے فنڈز کا جلد از جلد اجراء ہونا چاہیئے تاکہ کمپنیوں کی سرمائے کی ضرورت کو پورا کیا جا سکے۔

کمپنی عالمی منڈی میں مقابلے بازی اور اپنے سرمایہ کاروں کو بہتر منافع مہیاء کرنے کے لئے اپنی توجہ، صلاحیتوں اور پیداوار کو بہتر بنانے، منڈیوں اور خریداروں کی بنیاد کو بڑھانے، بہتر قدر و قیمت کے حاصل ٹیکسٹائل مصنوعات کو فروغ دینے اور جدید مشینری میں مزید سرمایہ کاری کرنے کے لئے اپنی کوشش جاری رکھے گی۔

## (CSR) ہماری معاشرتی ذمہ داری

آپ کی کمپنی کی مجلس نظماء اپنی ذمہ داریوں سے آگاہی رکھتے ہوئے کمپنی کی معاشرتی ذمہ داریوں پر توجہ دیتی ہے۔ کمپنی بشمول اس کے تمام محکموں اور بجٹ کے سالانہ مقاصد میں قدرتی وسائل کا تحفظ، صنعتی فضلہ (Wastages) میں کمی اور دوبارہ قابل استعمال بنانا، توانائی کی کارکردگی میں بہتری اور ماحول کو بہتر بنانے میں صنعتی فضلہ میں کمی کے لئے رقوم فراہم کرتی ہے۔

کمپنی نے صحت، تحفظ، ماحولیات اور تعلیم جیسے موضوعات کی اہمیت کو سمجھتے ہوئے "Social Responsibility Squad" تشکیل دیا ہے۔ ملازمین کے درمیان شعور بیدار کرنے کے لئے "Social Responsibility Squad" نے کمپنی کے ماہرین کی مدد سے "World Health Day", "World Heart Day", "World Environment Day"، "Earth Day" جیسی مختلف تقاریب کا انعقاد کیا جس میں اس شعبے کے ماہرین کو مدعو کیا گیا اور آگاہی مواد بھی تقسیم کیا گیا۔

کمپنی کا طبی دوا خانہ "Medical Assistant Clinic" ماہانہ سینکڑوں مزدوروں کو مفت علاج اور ادویات فراہم کرتا ہے۔ جبکہ نہایت معمولی فیس (Fees) کے عوض افسران کو بھی علاج کی سہولت فراہم کی جاتی ہے۔

## ضابط برائے کاروباری نظم و نسق (CCG)

پاکستان اسٹاک ایکسچینج کے عائد کردہ قوانین کے تحت نظماء (Directors) نے ضابط برائے کاروباری (CCG) نظم و نسق کے ساتھ مطابقت رکھنے اور اس پر عمل کرنے کے لیے تمام ضروری اقدامات کو یقینی بنایا ہے۔

(۱) کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے برائے مدت جون ۳۰، ۲۰۱۷ کمپنی کے معاملات، کاروباری سرگرمیاں اور ان کے نتائج، رقوم کے بہاؤ اور حصص و منافع میں اتار چڑھاؤ کے متعلق شفاف اور مستند معلومات فراہم کرتے ہیں۔

(۲) مالیات کے حوالے سے تمام اندراجات کا بخوبی ریکارڈ رکھا گیا ہے۔

(۳) مالیاتی گوشواروں کی تیاری میں حساب داری کے متعلقہ قواعد و ضوابط (پالیسی) کو تسلسل کے ساتھ استعمال کیا گیا ہے. اور تخمینوں کا اندازہ نہایت دانشمندی سے کیا گیا ہے.





(۴) بین الاقوامی حساب داری کے معیارات جن کا اطلاق پاکستان میں ہوتا ہے کی مکمل پیروی کی گئی ہے اور کسی صورت میں ہوئی روگردانی کو مناسب طور پر بتایا گیا ہے.

(۵) اندرونی کنٹرول کے نظام کو موثر طور پر نافذ کیا گیا ہے جس کی مسلسل نگرانی کی جاتی ہے. تمام عوامل کا مسلسل جائزہ ہوتا رہے گا اور خامیوں کو دور کیا جائے گا.

(۶) کمپنی کے سفر کو جاری و ساری رہنے کے حوالے سے کسی قسم کے کوئی شک و شبہات نہیں ہیں.

(۷) پاکستان اسٹاک ایکسچینج کے واضع کردہ قواعد کی روشنی میں کاروباری نظم و نسق کے ضابطے اور اس کے بہترین طریقہ کار میں کسی بھی طریقے کو ختم نہیں کیا جائے گا.

(۸) گزشتہ چھ سال کے اہم کاروباری اور مالیاتی اعداد و شمار منسلک ہیں.

(۹) ماسوائے معمول، ٹیکس محصول یا اس سے متعلقہ دیگر کسی مد میں کسی قسم کے واجبات یا بقایا جات واجب الادا نہیں ہیں.

(۱۰) کفالتی فنڈ کے جاری کردہ محاسب شدہ گوشوارے جون ۳۰، ۲۰۱۶ کے تحت کفالتی فنڈ میں سرمایہ کی رقم 328.992 ملین روپے ہے.

(۱۱) سال کے دوران مجلس نظماء کے، آڈٹ کمیٹی کے چار اور HR&A کمیٹی کا ایک اجلاس منعقد ہوا۔ نظماء/ارکان کی حاضری مندرجہ ذیل رہی:۔

### مجلس نظماء

| | |
|---|---|
| جناب انس رحمان صاحب | ۴ |
| جناب عبدالرحمان یعقوب صاحب | ۴ |
| جناب جاتھن آر سائمن صاحب | ۴ |
| جناب خلیق الرحمان صاحب | ۴ |
| جناب نسیم حیدر صاحب | ۴ |
| جناب پرویز احمد صاحب | ۴ |
| جناب شیخ ظفر احمد صاحب | ۴ |
| جناب ریحان رحمان صاحب | ۴ |
| جناب شبیر احمد صاحب | ۴ |

جناب فیصل شمس خان صاحب نے اپنے عہدے سے مئی ۱۱، ۲۰۱۶ کو استعفیٰ دیا اور ان کی جگہ نسیم حیدر صاحب کی اگست ۹، ۲۰۱۶ء میں تقرری ہوئی.

| آڈٹ کمیٹی: | | ایچ آر اینڈ آر کمیٹی: | |
|---|---|---|---|
| جناب خلیق الرحمان صاحب | ۴ | جناب انس رحمان صاحب | ۱ |
| جناب نسیم حیدر صاحب | ۴ | جناب خلیق الرحمان صاحب | ۱ |
| جناب پرویز احمد صاحب | ۴ | جناب نسیم حیدر صاحب | ۱ |
| | | جناب ریحان رحمان صاحب | ۱ |

جناب نسیم حیدر صاحب نے سال کے دوران جناب ریحان رحمان صاحب کی جگہ HR & R Committe میں شمولیت اختیار کی.

(۱۲) بورڈ نے اپنے ڈائریکٹرز کے لئے سی سی جی کے تعارفی کورس کی ضروریات کو پورا کرنے کی ہدایت کی تھی، بورڈ ڈی ٹی پی کے کم سے کم آدھے نصف ہونے کی تصدیق ہر دفعہ مقرر کی گئی ہے جیسا کہ سی سی جی کی شق ۵.۱۹.۷ کے تحت مقرر کیا گیا ہے.

کمپنی سیکریٹری نے سال کے دوران واقفیتی اجلاس منعقد کئے جس میں نظماء کو کاروباری و تجارتی قوائد و ضوابط میں ہونے والی تبدیلیوں سے واقفیت اور آگاہی فراہم کی گئی.

(۱۳) سال کے دوران کمپنی سیکرٹری کو ڈائریکٹرز نے حصص کی خرید و فروخت کے بارے میں مطلع کیا تھا. اس طرح کی تمام ٹرانزیکشنز کو (Pattern of Shareholdings) حصص کاری کے طرز عمل میں ظاہر کیا گیا ہے.

ضابطہ کاروباری نظم و نسق کی پیروی بشمول بہترین طرز عمل کی تعمیل کا بیان (Statement of Complinace) منسلک ہے۔

## محاسب (Auditors)

آڈیٹر ادارے رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹینٹ (M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants) اپنی ذمہ داریوں سے عہدہ برہ ہوئے اور آپ دوبارہ سے تقرری کے اہل ہیں اور اپنی تقرری کے لئے پیش کش کر چکے ہیں۔ جبکہ مجلسِ نظماء نے آڈٹ کمیٹی کی سفارش پہ عمل کرتے ہوئے آڈیٹر ادارے آرنسٹ اینڈ ینگ فورڈ روڈز، چارٹرڈ اکاؤنٹیٹ (EY Ford Rhodes, Chartered Acountants) کو مالی سال ۲۰۱۷۔۱۸ کیلئے محاسب (External Auditor) کے طور پر تقرر کیلئے پیش کیا ہے.

## حصص کاری کا طرز عمل (Pattern of Shareholding)

کمپنی آرڈیننس ۲۰۱۷ ضابطہ کاروباری نظم و نسق (CCG) کے تحت درکار حصص کے طرز عمل کا گوشوارہ برائے مدت جون ۳۰، ۲۰۱۷ اس رپورٹ کے ساتھ منسلک ہے.

## داخلی کنٹرول (Internal Controls)

آپ کی کمپنی نے کاروبار کے منظّم اور موثر عمل پیرا ہی کو یقینی بنانے کیلئے موثر پالیسوں اور طریقہ کار کو وضع ہے. اس کے اثاثوں کا تحفظ، دھوکہ دہی اور غلطیوں کی روک تھام اور شناخت، مالیاتی ریکارڈ کا درست اور جامع رمکمل ہونا، اور قابل اعتماد مالیاتی گوشواروں کی بروقت تیاری کو یقینی بنایا ہے.

## اظہار تشکر (Aknowledgments)

نظماء کمپنی کے تمام ملازمین کی جانب سے کی گئی ان تمام کوششوں کے لئے تہہ دل سے مشکور ہیں اور امید کرتے ہیں کہ باہمی تعاون اور اعتماد کی فضا یونہی قائم رہے گی.

اس کے ساتھ ساتھ انتظامیہ اپنے تمام صارفین، کاروباری شراکت دار، سپلائیرز اور بینکوں کے عملی تعاون کے لئے بھی ان سب کی مشکور ہے.

خلیق الرحمان صاحب
ڈائریکٹر

ریحان رحمان صاحب
چیف ایگزیکٹو افیسر

کراچی
۲۶ ستمبر ۲۰۱۷ء





## KEY OPERATING AND FINANCIAL DATA

| Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **ASSETS EMPLOYED** | | | | | ( Rs. in million) | |
| Property, plant and equipment | 8,262.15 | 6,749.86 | 5,775.61 | 5,210.87 | 4,547.77 | 4,705.28 |
| Intangible assets | 2.97 | - | 5.14 | 10.28 | 15.43 | 20.69 |
| Investments, Long term Advances and Deposits | 7.71 | 6.39 | 5.73 | 5.36 | 5.31 | 5.27 |
| Current Assets | 10,465.65 | 8,752.71 | 6,918.26 | 7,414.04 | 6,904.32 | 5,459.26 |
| **Total Assets Employed** | **18,738.49** | **15,508.96** | **12,704.74** | **12,640.55** | **11,472.83** | **10,190.50** |
| **FINANCED BY** | | | | | | |
| Shareholders' Equity | 13,008.82 | 11,687.23 | 8,932.63 | 7,060.03 | 5,664.70 | 4,721.22 |
| Long Term Liabilities | 437.14 | 434.15 | 383.25 | 472.09 | 606.25 | 795.83 |
| Current Liabilities | 3,793.52 | 2,306.93 | 2,308.21 | 4,027.76 | 4,121.21 | 3,592.79 |
| **Total Funds Invested** | **17,239.48** | **14,428.31** | **11,624.09** | **11,559.88** | **10,392.16** | **9,109.84** |
| | | | | | ( Rs. in thousand) | |
| **VALUE ADDITION & ITS DISTRIBUTION** | | | | | | |
| Net Sales including sales tax | 20,031,215 | 19,673,065 | 17,539,764 | 17,709,129 | 13,490,249 | 13,284,356 |
| Bought in materials and services | 14,800,463 | 12,866,039 | 11,722,564 | 12,830,424 | 9,303,758 | 10,724,543 |
| Distribution cost | 427,391 | 451,455 | 534,204 | 442,933 | 383,153 | 357,354 |
| Administrative, financial and other charges | 499,461 | 646,704 | 1,382,850 | 1,444,625 | 986,792 | 574,836 |
| Government (including WPPF, WWF & Income tax) | 113,804 | 458,957 | 356,362 | 320,526 | 230,860 | 154,759 |
| Employees | 1,700,419 | 1,439,827 | 1,218,158 | 973,148 | 1,340,051 | 937,722 |
| Retained in business | 2,489,677 | 3,810,083 | 2,325,626 | 1,697,473 | 1,245,635 | 535,142 |
| **Total Distribution** | 20,031,215 | 19,673,065 | 17,539,764 | 17,709,129 | 13,490,249 | 13,284,356 |
| **KEY FINANCIAL RATIOS** | | | | | | |
| Gross profit | 20.17% | 28.35% | 22.30% | 18.90% | 19.03% | 14.30% |
| Net profit/(loss) (after tax to sales) | 12.43% | 19.38% | 13.26% | 9.59% | 9.24% | 4.03% |
| Debt equity ratio | 4:96 | 3:97 | 5:95 | 7:93 | 11:89 | 14:86 |
| Current ratio | 2.76 | 3.79 | 3.00 | 1.84 | 1.68 | 1.52 |
| Return on assets ratio | 0.15 | 0.25 | 0.18 | 0.13 | 0.11 | 0.05 |
| Return on equity ratio | 0.19 | 0.33 | 0.26 | 0.23 | 0.20 | 0.10 |
| Inventory turnover ratio - Times | 5.17 | 6.11 | 5.34 | 4.68 | 3.88 | 4.00 |
| Fixed assets turnover ratio - Times | 2.42 | 2.91 | 3.03 | 3.39 | 2.95 | 2.79 |
| Assets turnover ratio - Times | 1.07 | 1.27 | 1.38 | 1.36 | 1.18 | 1.30 |
| **SHARES AND EARNINGS** | | | | | | |
| Break-up Value without revaluation | 34.52 | 31.02 | 23.71 | 18.74 | 15.03 | 12.53 |
| Break-up Value with revaluation | 38.50 | 33.88 | 26.57 | 21.60 | 17.90 | 15.40 |
| Earning per Share from continued operation | 6.61 | 10.11 | 6.17 | 4.50 | 3.31 | 1.42 |
| No. of Shares ('000) | 376,801 | 376,801 | 376,801 | 376,801 | 376,801 | 376,801 |
| Dividend | 1,168,083 | 1,055,489 | 453,026 | 302,150 | 302,150 | 524 |

## PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2017

| No. of Shareholders | Shareholding | | | | | Total Shares held |
|---|---|---|---|---|---|---|
| 371 | From | 1 | to | 100 | Share | 13,193 |
| 210 | From | 101 | to | 500 | Share | 57,212 |
| 55 | From | 501 | to | 1,000 | Share | 44,818 |
| 54 | From | 1,001 | to | 5,000 | Share | 118,971 |
| 10 | From | 5,001 | to | 10,000 | Share | 81,263 |
| 4 | From | 10,001 | to | 15,000 | Share | 43,651 |
| 1 | From | 15,001 | to | 20,000 | Share | 15,100 |
| 2 | From | 20,001 | to | 25,000 | Share | 48,600 |
| 4 | From | 45,001 | to | 50,000 | Share | 196,900 |
| 2 | From | 90,001 | to | 95,000 | Share | 183,272 |
| 1 | From | 165,001 | to | 170,000 | Share | 165,700 |
| 1 | From | 220,000 | to | 225,000 | Share | 220,000 |
| 1 | From | 500,000 | to | 505,000 | Share | 500,000 |
| 1 | From | 660,000 | to | 665,000 | Share | 660,000 |
| 1 | From | 5,005,001 | to | 5,010,000 | Share | 5,008,235 |
| 1 | From | 5,650,001 | to | 5,655,000 | Share | 5,652,015 |
| 3 | From | 7,165,001 | to | 7,170,000 | Share | 21,495,693 |
| 1 | From | 7,535,001 | to | 7,540,000 | Share | 7,536,019 |
| 5 | From | 8,455,001 | to | 8,460,000 | Share | 42,282,060 |
| 1 | From | 8,620,001 | to | 8,625,000 | Share | 8,623,114 |
| 1 | From | 9,185,001 | to | 9,190,000 | Share | 9,186,965 |
| 1 | From | 10,505,001 | to | 10,510,000 | Share | 10,508,546 |
| 1 | From | 10,745,001 | to | 10,750,000 | Share | 10,746,332 |
| 1 | From | 12,705,001 | to | 12,710,000 | Share | 12,708,049 |
| 1 | From | 13,055,001 | to | 13,060,000 | Share | 13,057,542 |
| 1 | From | 15,235,001 | to | 15,240,000 | Share | 15,237,407 |
| 1 | From | 19,235,001 | to | 19,240,000 | Share | 19,237,685 |
| 1 | From | 20,175,001 | to | 20,180,000 | Share | 20,178,352 |
| 1 | From | 20,930,001 | to | 20,935,000 | Share | 20,931,149 |
| 1 | From | 21,240,001 | to | 21,245,000 | Share | 21,242,223 |
| 1 | From | 51,175,001 | to | 51,180,000 | Share | 51,176,107 |
| 1 | From | 79,640,001 | to | 79,645,000 | Share | 79,644,795 |
| **741** | | | | | | **376,800,968** |





## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2017

| Categories of shareholders | Number of shareholders | Share held | Percentage |
|---|---|---|---|
| Directors, Chief Executive Officer and their Spouse | 11 | 155,934,678 | 41.38 |
| Associated Companies, undertaking and related parties | 3 | 76,364,694 | 20.27 |
| Mutual Fund | 1 | 6 | 0.00 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions and others | 2 | 4,065 | 0.00 |
| Individuals | 724 | 144,497,525 | 38.35 |
| | 741 | 376,800,968 | 100.00 |

## PATTERN OF SHAREHOLDING
## ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)
## AS AT JUNE 30, 2017

| Shareholders' category | | Number of shareholders | Number of shares held |
|---|---|---|---|
| **Associated Companies, undertaking and related parties** | | 3 | 76,364,694 |
| **Mutual Funds** | | | |
| M/s. Investment Corporation of Pakistan | | 1 | 6 |
| **Directors and their spouse(s) and minor children** | | | |
| Mr. Jonathan R.Simon | Director/Chairman | 1 | - |
| Mr. Anas Rahman | Director/Vice Chairman | 1 | 7,165,231 |
| Mr. Rehan Rahman | Chief Executive | 1 | 8,456,412 |
| Mr. Khaleequr Rahman | Director | 1 | 13,057,542 |
| Mr. Shabbir Ahmed | Director | 1 | 79,644,795 |
| Mr. Perwez Ahmed | Director | 1 | 21,242,223 |
| Mr. Abdul Rehman Yaqub | Director | 1 | - |
| Mr. Nasim Hyder | Director | 1 | 500 |
| Mrs. Shahnaz Rahman | Spouse | 1 | 8,456,412 |
| Mrs. Saba Perwez | Spouse | 1 | 10,746,332 |
| Mrs. Sana Rehan | Spouse | 1 | 7,165,231 |
| **Executives** | Executive | 3 | 38,202,643 |
| **Public Sector Companies and Corporations** | | | - |
| **Bank, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takeful, Modarabas and Pension Funds** | | 2 | 4,065 |
| **Shareholders holding 5% or more voting interest:** | | | |
| Mr. Shabbir Ahmed | | 1 | 79,644,795 |
| Mr. Sheikh Zafar Ahmed | | 1 | 19,237,685 |
| Mr. Perwez Ahmed | | 1 | 21,242,223 |
| Mr. Omair Rehman | | 1 | 21,811,149 |
| M/s.1888 Mills LLC (Foreign Company) | | 1 | 20,178,352 |
| M/s. Grangeford Ltd (Foreign Company) | | 1 | 51,176,107 |

**Details of purchase, sale and gift of share by Directors their spouse and Substantial Shareholders during the year 2017**

| | | |
|---|---|---|
| Mr. Shabbir Ahmed | 12,323,579 | Purchase of Shares |
| Mr. Nasim Hyder | 500 | Purchase of Shares |
| Grangeford Limited | 12,873,579 | Sale of Shares |
| Mr. Shabbir Ahmed | 13,188,034 | Gift to Son and Daughter |
| Mr. Sheikh Zafar Ahmed | 660,000 | Gift to Son |





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
## FEROZE1888 MILLS LIMITED
## June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulations No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

| Category | Name |
|---|---|
| Independent Director | Mr. Nasim Hyder |
| Executive Directors | Mr. Rehan Rahman |
| Non-Executive Directors | Mr. Khaleequr Rahman |
| | Mr. Shabbir Ahmed |
| | Mr. Jonathan R. Simon |
| | Mr. Abdul Rehman Yaqub |
| | Mr. Perwez Ahmed |
| | Mr. Anas Rahman |

The independent directors meet the criteria of independence under clause 5.9.1 (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred during the year.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company stands complied with the requirement of having at least half of the Board DTP certified at all times as prescribed under the clause 5.19.7 of the CCG.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirement of the CCG.

15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.

16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non- executive directors and one is Independent Director. The chairman of the committee is a non-executive director.

18. The board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.





20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final result, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of person from the said list.

24. We confirm that all other material principles enshrined in the CCG have complied with.

On behalf of the Board of Directors

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive Officer

Karachi: September 26, 2017

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Feroze1888 Mills Limited** (the Company) for the year ended **June 30, 2017** to comply with the requirements of Rule 5.19 of the Rule book of the Pakistan Stock Exchange where the Company is listed.

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

As 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's 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Karachi:

Date: September 26, 2017

**Rahman Sarfaraz Rahim Iqbal Rafiq**
**Chartered Accountants**
**Engagement partner: Muhammad Waseem**





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Feroze1888 Mills Limited** ("the Company") as at **June 30, 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi:

Date: September 26, 2017

**Rahman Sarfaraz Rahim Iqbal Rafiq**
**Chartered Accountants**
**Engagement partner: Muhammad Waseem**

## BALANCE SHEET
## AS AT JUNE 30, 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 8,262,151 | 6,749,864 |
| Intangible assets | 5 | 2,975 | – |
| Long term investment | 6 | 618 | 10 |
| Long term deposits | | 7,093 | 6,387 |
| | | 8,272,837 | 6,756,261 |
| **Current assets** | | | |
| Stores and spares | 7 | 498,033 | 567,422 |
| Stock-in-trade | 8 | 3,637,710 | 3,046,969 |
| Trade debts - considered good | 9 | 4,354,193 | 2,782,631 |
| Advances, prepayments and other receivables | 10 | 1,616,864 | 1,364,780 |
| Taxation -net | | 265,920 | – |
| Cash and bank balances | 11 | 92,931 | 990,908 |
| | | 10,465,651 | 8,752,710 |
| | | 18,738,488 | 15,508,971 |
| **SHARE CAPITAL & RESERVES** | | | |
| Authorised share capital | | | |
| 400,000,000 (2016: 400,000,000) ordinary shares of Rs. 10 each | | 4,000,000 | 4,000,000 |
| Issued, subscribed and paid-up capital | 12 | 3,768,009 | 3,768,009 |
| Capital reserve | | 758,663 | 758,663 |
| Accumulated profit | | 8,482,149 | 7,160,555 |
| | | 13,008,821 | 11,687,227 |
| Surplus on revaluation | 13 | 1,499,008 | 1,080,662 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term finance - secured | 14 | 437,142 | 434,150 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 3,178,367 | 2,294,441 |
| Short term borrowings | 16 | 500,000 | – |
| Accrued mark-up | 17 | 5,142 | 1,682 |
| Taxation - net | | – | 4,959 |
| Current portion of long term finance | 14 | 110,008 | 5,850 |
| | | 3,793,517 | 2,306,932 |
| **Contingencies and commitments** | 18 | | |
| | | 18,738,488 | 15,508,971 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
| Director | Chief Executive | Chief Financial Officer |





## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Sales - net | 19 | 20,023,227 | 19,664,897 |
| Cost of sales | 20 | (15,985,135) | (14,101,297) |
| **Gross profit** | | 4,038,092 | 5,563,600 |
| Administrative cost | 21 | (791,937) | (676,100) |
| Distribution cost | 22 | (506,941) | (506,983) |
| Other operating cost | 23 | (217,483) | (266,807) |
| | | (1,516,361) | (1,449,890) |
| **Operating profit** | | 2,521,731 | 4,113,710 |
| Finance cost | 24 | (72,031) | (81,659) |
| **Profit before taxation** | | 2,449,700 | 4,032,051 |
| Taxation | 25 | 39,977 | (221,968) |
| **Profit after taxation** | | 2,489,677 | 3,810,083 |
| | | (Rupees) | |
| **Earnings per share** | | | |
| - Basic and diluted | 26 | 6.61 | 10.11 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
| Director | Chief Executive | Chief Financial Officer |

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | 2016 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year | **2,489,677** | 3,810,083 |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | **2,489,677** | 3,810,083 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive

**Imran Tola**
Chief Financial Officer





## CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **2,449,700** | 4,032,051 |
| **Adjustments for non cash charges and other items:** | | | |
| Depreciation | | **547,927** | 435,950 |
| Amortization | | **25,746** | 37,445 |
| Finance cost | | **72,031** | 81,659 |
| Workers' fund | | **145,835** | 228,960 |
| Loss / (gain) on disposal of property, plant and equipment | | **54,688** | (1,942) |
| **Operating profit before working capital changes** | | **846,227** | 782,072 |
| | | **3,295,927** | 4,814,123 |
| **Changes in working Capital** | 29 | **(1,393,923)** | (1,129,957) |
| Cash generated from operating activities | | **1,902,004** | 3,684,166 |
| Finance cost paid | | **(68,571)** | (94,552) |
| Workers' fund paid | | **(213,100)** | (133,954) |
| Income tax paid | | **(230,902)** | (217,009) |
| **Net cash generated from operating activities** | | **1,389,431** | 3,238,651 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure | | **(1,762,999)** | (1,463,373) |
| Proceeds from sale of operating fixed assets | | **37,721** | 22,811 |
| Long term investments | | **(608)** | – |
| Long term deposits placed during the period | | **(706)** | (667) |
| **Net cash used in investing activities** | | **(1,726,592)** | (1,441,229) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(1,167,966)** | (1,055,161) |
| Long term finance obtained | | **110,000** | 440,000 |
| Repayment of long term finance | | **(2,850)** | (479,262) |
| **Net cash used in financing activities** | | **(1,060,816)** | (1,094,423) |
| Net (decrease)/increase in cash and cash equivalents | | **(1,397,977)** | 702,999 |
| Cash and cash equivalents at the beginning of the year | | **990,908** | 287,909 |
| **Cash and cash equivalents at the end of the year** | 30 | **(407,069)** | 990,908 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive

**Imran Tola**
Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2017

| | Share capital | Capital reserve | Accumulated profit | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| **Balance as at July 01, 2015** | 3,768,009 | 758,663 | 4,405,961 | 8,932,633 |
| **Total comprehensive income for the year ended June 30, 2016** | – | – | 3,810,083 | 3,810,083 |
| **Transactions with owners** | | | | |
| **Final cash dividend for the year ended June 30, 2015** | | | | |
| - Final @ 25% (Rs. 2.50 per share) for all shareholders except directors, their relatives and associates. | – | – | (656) | (656) |
| - Final @ 8% (Rs. 0.80 per share) to directors, their relatives and associates. | – | – | (301,230) | (301,230) |
| **Interim cash dividend** | | | | |
| - Interim @ 15% (Rs. 1.50 per share) for all shareholders | | | (565,202) | (565,202) |
| - Interim @ 5% (Rs. 0.50 per share) for all shareholders | – | – | (188,401) | (188,401) |
| | – | – | (1,055,489) | (1,055,489) |
| **Balance as at June 30, 2016** | 3,768,009 | 758,663 | 7,160,555 | 11,687,227 |
| **Total comprehensive income for the year ended June 30, 2017** | – | – | 2,489,677 | 2,489,677 |
| **Transactions with owners** | | | | |
| **Final cash dividend for the year ended June 30, 2016** | | | | |
| **- Final @ 21% (Rs. 2.10 per share) for all shareholders** | – | – | (791,282) | (791,282) |
| **Interim cash dividend** | | | | |
| - Interim @ 10% (Rs. 1.00 per share) for all shareholders | – | – | (376,801) | (376,801) |
| | – | – | (1,168,083) | (1,168,083) |
| **Balance as at June 30, 2017** | 3,768,009 | 758,663 | 8,482,149 | 13,008,821 |

The annexed notes from 1 to 38 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
| Director | Chief Executive | Chief Financial Officer |





## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2017

**1. THE COMPANY AND ITS OPERATIONS**

1.1 The Company was incorporated in Pakistan as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange). The Company is principally engaged in production and export of towels. The registered office of the Company is situated at H-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide circular no. 17 0f 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for land which is carried at revalued amount and certain exchange elements that have been incorporated in the cost of the relevant assets.

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make the judgment, estimates, assumptions and use judgments 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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

| | | Note |
|---|---|---|
| a) | Useful lives and residual values of property, plant and equipment | 3.1 |
| b) | Provision for obsolete / slow moving stores and spares | 3.3 |
| c) | Provision for obsolete / slow moving stock-in-trade | 3.4 |
| d) | Estimation for impairment in respect of trade debts | 3.5 |
| e) | Taxation | 3.6 |
| f) | Staff retirement benefits | 3.11 |

**2.5 Initial application of new standards and amendments to approved accounting standards**

**2.5.1 Amendments to approved accounting standards effective during the year ended June 30, 2017:**

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these financial statements.

**2.5.2 Standards and amendments to approved accounting standards that are effective for the Company's accounting periods beginning on or after July 1, 2017:**

There are certain new standards and amendments to the approved accounting standards that will become effective for the Company's annual accounting periods beginning on or after July 1, 2017. However, these amendments will not have a significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further, the new standards are yet to be adopted by the SECP. In addition to the foregoing, the Companies Act, 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property, plant and equipment**

**3.1.1 Owned**

These are stated at historical cost less accumulated depreciation and impairment loss, if any, except for land that are shown at revalued amounts. Depreciation is charged to profit and loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4.1 to the financial statements except for lease hold improvement which are depreciated on straight line basis over the period of 3 to 5 years. Depreciation on additions is charged when the asset is available for use umtil asset is disposed off.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.





Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken to the profit and loss account.

Depreciation method, useful lives and residual values are reviewed annually and adjusted, if appropriate, at each balance sheet date.

Repairs and maintenance are charged to profit and loss as and when incurred.

**3.1.2 Capital work in progress**

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

**3.2 Intangible assets**

Computer software is capitalized on the basis of cost incurred to acquire and bring to use the specific software. Amortization is charged to the profit and loss account using the 'straight line' method over a period of 5 year. Amortization is charged from the date of purchase of the intangible asset until intangible asset is disposed off. Intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Any resulting gain or loss on derecognition are recognized in profit and loss account. The estimated useful life and the amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**3.3 Stores and spares**

Stores and spares, excluding items in transit, are valued at lower of moving average cost and net realisable value. Provision is made for slow moving and obsolete items, based on management's best estimate regarding their future usability.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the reporting date.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

**3.4 Stock-in-trade**

Raw materials and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads. By products and waste products are valued at net realisable value.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred to make the sale.

Provisions are made in the financial statements for obsolete and slow moving stock-in-trade based on management's best estimate regarding there future usability.

**3.5 Trade and other receivables**

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful debts which is determined based on management review of outstanding amounts and previous repayment pattern. Balances considered bad and irrevocable are written off.

**3.6 Taxation**

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**3.6.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalized during the year.

The Company's income is chargeable to tax under final tax regime prescribed under the Income Tax Ordinance, 2001.

**3.6.2 Deferred**

Deferred tax is provided by using the balance sheet liability method for all temporary differences arising at the balance sheet date subject to certain exceptions between tax base of assets and liabilities and their carrying amounts. Presently the Company is being assessed under section 148 and 153 of the Income Tax Ordinance, 2001, therefore, the Company does not account for deferred tax.

**3.7 Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement includes cash in hand, balance with banks, and bank overdrafts / short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

**3.8 Share capital**

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



Feroze1888 Mills Limited

**3.9 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**3.10 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.

**3.11 Staff retirement benefits**

**3.11.1 Defined contribution plans**

The Company operates an approved defined contribution provident fund for its eligible employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary.

**3.11.2 Employees' compensation absences**

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

**3.12 Provisions**

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

**3.13 Revenue recognition**

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- the Company has transferred to the customer the significant risks and rewards of ownership;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

### 3.14 Borrowing costs

Borrowing cost are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing cost.

### 3.15 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

### 3.16 Financial instruments

Financial assets and financial liabilities are recognized at fair value or amortized cost when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans, cash and bank balances, short term finance and trade and other payables excluding sales tax payable, Workers' Profit Participation Fund, Workers' Welfare Fund and special excise duty. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.16.1 Financial Assets

**- Classification :**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*The Company classifies its investments in the following categories:*

**a) Available for sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

**b) Fair value through profit and loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.





**c) Held to maturity**

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

**d) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'short term loans' and other receivables' in the balance sheet.

**- Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit loss' category are presented in the profit and loss account within income / expenses in the period in which they arise.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale investment calculated using the effective interest method is recognized in the profit and loss account as part of other income.

### 3.16.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

### 3.17 Impairment of Assets

**Financial assets**

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In case of investment classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

**Non - financial assets**

The carrying amount of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

### 3.18 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

### 3.19 Transactions with related parties

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

### 3.20 Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.21 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non adjusting event and is recognized in the financial statements in the period in which such transfers are made.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| **4 PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 4.1 | **7,318,053** | 5,837,009 |
| Capital work-in-progress | 4.5 | **849,492** | 854,663 |
| Lease hold improvements | | **94,606** | 58,192 |
| | | **8,262,151** | 6,749,864 |





**4.1 Operating fixed assets**

| | Lease hold land | Free hold land | Building on Leasehold Land | Building on Freehold Land | Plant & Machinery | Electric fittings / Equipments | Office Equipment | Computers | Furniture and Fixtures | Vehicles | Arms and Ammunitions | Sub Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Rupees in '000' | | | | | | |
| **As at July 01, 2015** | | | | | | | | | | | | |
| Cost | 1,086,975 | 308,038 | 739,635 | 148,250 | 5,901,817 | 223,533 | 49,678 | 82,068 | 39,314 | 226,146 | 42 | 8,805,497 |
| Accumulated depreciation | - | - | (403,506) | (82,239) | (2,782,375) | (114,688) | (17,612) | (56,005) | (23,810) | (110,688) | (33) | (3,590,955) |
| Net book value | **1,086,975** | **308,038** | **336,129** | **66,011** | **3,119,442** | **108,845** | **32,066** | **26,063** | **15,504** | **115,459** | **9** | **5,214,542** |
| **Year ended June 30, 2016** | | | | | | | | | | | | |
| Opening net book value | 1,086,975 | 308,038 | 336,129 | 66,011 | 3,119,442 | 108,845 | 32,066 | 26,063 | 15,504 | 115,459 | 9 | 5,214,542 |
| Additions / transfers during the year | 3,068 | - | 230,358 | - | 698,761 | 28,486 | 23,830 | 13,906 | 4,257 | 76,642 | - | 1,079,308 |
| Transfer to intangible assets | - | - | - | - | - | - | - | (75) | - | - | - | (75) |
| Reclassification | - | - | - | - | 58,748 | (1,807) | 4,630 | (1,343) | - | (60,228) | - | - |
| Surplus on Revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| **Disposals / transfers** | | | | | | | | | | | | |
| Cost | - | - | - | - | (47,587) | - | (50) | - | - | (35,386) | - | (83,023) |
| Accumulated depreciation | - | - | - | - | 38,425 | - | 39 | - | - | 23,689 | - | 62,153 |
| Net book value | - | - | - | - | (9,162) | - | (11) | - | - | (11,697) | - | (20,870) |
| Transfer to intangible assets | - | - | - | - | - | - | - | 54 | - | - | - | 54 |
| Reclassification | - | - | - | - | (42,624) | 939 | (2,958) | 1,259 | - | 43,384 | - | - |
| Depreciation for the year | - | - | (38,417) | (6,601) | (333,434) | (10,772) | (6,066) | (9,951) | (1,617) | (29,092) | (1) | (435,950) |
| Closing net book value | **1,090,043** | **308,038** | **528,070** | **59,410** | **3,491,731** | **125,691** | **51,491** | **29,913** | **18,144** | **134,468** | **8** | **5,837,009** |
| **As at June 30, 2016** | | | | | | | | | | | | |
| Cost | 1,090,043 | 308,038 | 969,993 | 148,250 | 6,611,739 | 250,212 | 78,088 | 94,556 | 43,571 | 207,174 | 43 | 9,801,707 |
| Accumulated depreciation | - | - | (441,923) | (88,840) | (3,120,008) | (124,521) | (26,596) | (64,643) | (25,427) | (72,706) | (34) | (3,964,698) |
| Net book value | **1,090,043** | **308,038** | **528,070** | **59,410** | **3,491,731** | **125,691** | **51,492** | **29,913** | **18,144** | **134,468** | **9** | **5,837,009** |
| **Year ended June 30, 2017** | | | | | | | | | | | | |
| Opening net book value | 1,090,043 | 308,038 | 528,070 | 59,410 | 3,491,731 | 125,691 | 51,492 | 29,913 | 18,144 | 134,468 | 9 | 5,837,009 |
| Additions / transfers during the year | 24,747 | - | 432,167 | - | 1,147,630 | 14,997 | 13,369 | 23,258 | 6,692 | 63,034 | - | 1,725,893 |
| Transfer to intangible assets | - | - | - | - | (406) | - | (803) | (1,926) | - | - | - | (3,135) |
| Reclassification | - | - | - | - | 3,513 | (3,878) | 368 | - | - | - | (3) | - |
| Surplus on Revaluation | 284,575 | 133,770 | - | - | - | - | - | - | - | - | - | 418,345 |
| Adjustment | - | - | (1,213) | - | (13,000) | - | - | - | - | - | - | (14,213) |
| **Disposals / transfers** | | | | | | | | | | | | |
| Cost | - | - | - | - | (341,008) | (25,560) | (7,105) | (5,934) | (7,317) | (20,424) | - | (407,348) |
| Accumulated depreciation | - | - | - | - | 255,855 | 20,774 | 5,490 | 5,782 | 5,245 | 13,793 | - | 306,939 |
| Net book value | - | - | - | - | (85,153) | (4,786) | (1,615) | (152) | (2,072) | (6,631) | - | (100,409) |
| Transfer to intangible assets | - | - | - | - | 99 | - | 494 | 1,898 | - | - | - | 2,490 |
| Reclassification | - | - | - | - | 37 | 33 | (219) | (1) | (30) | 177 | 3 | - |
| Depreciation for the year | - | - | (68,020) | (5,941) | (404,578) | (13,170) | (8,447) | (12,875) | (1,962) | (32,933) | (1) | (547,927) |
| Closing net book value | **1,399,365** | **441,808** | **891,004** | **53,469** | **4,139,873** | **118,886** | **54,639** | **40,115** | **20,772** | **158,114** | **8** | **7,318,053** |
| **As at June 30, 2017** | | | | | | | | | | | | |
| Cost | 1,399,365 | 441,808 | 1,400,947 | 148,250 | 7,408,468 | 235,771 | 83,917 | 109,954 | 42,946 | 249,783 | 40 | 11,521,249 |
| Accumulated depreciation | - | - | (509,943) | (94,781) | (3,268,595) | (116,885) | (29,278) | (69,839) | (22,174) | (91,669) | (32) | (4,203,196) |
| Net book value | **1,399,365** | **441,808** | **891,004** | **53,469** | **4,139,873** | **118,886** | **54,639** | **40,115** | **20,772** | **158,114** | **8** | **7,318,053** |
| Annual rates of depreciation | **0%** | **0%** | **10%** | **10%** | **10%** | **10%** | **15%** | **30%** | **10%** | **20%** | **15%** | |

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |

**4.2** Depreciation charge for the year has been allocated as under:-

| | 2017 | 2016 |
|---|---|---|
| Cost of sales | 503,910 | 404,623 |
| Administrative cost | 44,017 | 31,327 |
| | 547,927 | 435,950 |

**4.3** Details of disposal of property, plant and equipment having book value of more than Rs. 50,000 during the year are as follows:

| Particulars | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Loss / (gain) | Mode of Disposal | Parties |
|---|---|---|---|---|---|---|---|
| Plant and Machinery | | | | | | | |
| Gas Generator Waukesha 625Kva Model L-36 GLD, With Radiator | 1,011 | 796 | 215 | 1,100 | (885) | Negotiation | Swam Power |
| Gas Generator Waukesha 670KVA, 380V | 8,789 | 6,415 | 2,374 | 1,100 | 1,274 | Negotiation | Swam Power |
| Diesel Generator Hino W 040D 50 KVA | 482 | 369 | 113 | 100 | 13 | Negotiation | Rajab Ali |
| Diesel Generator Cater pillar G-3512 1400KVA | 7,965 | 5,479 | 2,486 | 1,500 | 986 | Negotiation | Internationl Power Services |
| Shearing Machine | 215 | 116 | 99 | 400 | (301) | Negotiation | Mr. Hyder Zaman |
| Gas Generator Kohler 125RZG 130Kva | 1,965 | 1,379 | 586 | 160 | 426 | Negotiation | Muhammad Iqbal Butt |
| Gas Generator Waukesha Engine 635 KW | 24,732 | 19,594 | 5,138 | 925 | 4,213 | Negotiation | Internationl Power Services |
| Uni Gas Apolo VR-550-B Gas Compressor | 5,223 | 4,219 | 1,004 | 200 | 804 | Negotiation | Mr. Kashif Waheed |
| Fork Lifter # 5 Caterpillar 10 Ton Diesel | 850 | 791 | 59 | 480 | (421) | Negotiation | Mr. Kashif Waheed |
| Plastic Dana Cutter Machine | 125 | 41 | 84 | 200 | (116) | Negotiation | Mr. Asad Bacha |
| Poly Recycling Extrauder Machine (Mother Baby) | 775 | 390 | 385 | 200 | 185 | Negotiation | Mr. Asad Bacha |
| Spinning Machine Hub - Multiple Assets | 3,605 | 2,946 | 659 | 108 | 551 | Negotiation | Mr. Muhammad Saleem |
| Fabric Printing Machine with Dryer | 2,506 | 2,131 | 375 | 199 | 176 | Negotiation | Muhammad Aleem Khan |
| Trolly | 735 | 632 | 103 | 20 | 83 | Negotiation | Kashif Waheed |
| Trolly | 650 | 556 | 94 | 17 | 77 | Negotiation | Kashif Waheed |
| Sulzer TPS-600 Dobby Looms | 60,259 | 50,683 | 9,576 | 12,000 | (2,424) | Negotiation | M/s. Umer Industry |
| Fork Lifter # 3 TCM 02 Ton Diesel (Lc#26197) | 975 | 871 | 104 | 475 | (371) | Negotiation | Muhammad Aleem Khan |
| Steamer Xorella | 2,764 | 2,174 | 590 | 550 | 40 | Negotiation | Mr.Kashif Waheed |
| Gas Generator Cat G3516 C # 4 1600KW | 46,516 | 22,378 | 24,138 | 12,000 | 12,138 | Negotiation | Brilliant Automation Solutions |
| Old Stitching machines | 8,910 | 7,454 | 1,456 | 500 | 956 | Negotiation | Mr. Javeed |
| Multi Drum Dust & Waste Removal System JSDT | 2,062 | 1,173 | 889 | 185 | 704 | Negotiation | Ashraf Ali |
| Barodan Lock Stitch Hemming Machine | 2,943 | 2,275 | 668 | 116 | 552 | Negotiation | Mr.Kashif Waheed |
| Soft Winding Machine Scharer SSM 41 - 24 Spindles | 2,915 | 2,665 | 250 | 254 | (4) | Negotiation | Mr.Mureed Abbas |
| Sub-Total | 186,972 | 135,527 | 51,445 | 32,789 | 18,656 | | |
| Motor Vehicles: | | | | | | | |
| Honda City Reg#. AUY-684 | 1,359 | 943 | 416 | 800 | (384) | Negotiation | Mr. Sheroze Bostan S/o. Muhammad Bostan |
| Suzuki Mehran VXR Reg#. BFB-463 | 753 | 63 | 690 | 753 | (63) | Insurance Claim | EFU General Insraunce Ltd |
| Toyota Coaster Reg#. CR-6644 | 1,726 | 1,508 | 218 | 1,400 | (1,182) | Negotiation | Mr. Danis Khan S/o. Mr. Rustam Khan |
| Shehzore Pickup Reg#. KN-8259 | 706 | 647 | 59 | 525 | (466) | Negotiation | Mr. Aas Muhammad S/o. Abdul Hafeez |
| Suzuki Mehran VXR 796CC BFB-480 | 753 | 74 | 679 | 753 | (74) | Insurance Claim | EFU General Insraunce Ltd |
| Suzuki Mehran AVM-542 | 569 | 394 | 175 | 305 | (130) | Negotiation | Mr. Muhammad Saleem S/o. Muhammad Manzoor |
| Suzuki Mehran AVG-821 | 569 | 400 | 169 | 300 | (131) | Negotiation | Mr. Khubaib Ahmed Qureshi S/o. Ishtiaq Ahmed Qureshi |
| Toyota Hiace CT-1888 Dual | 2,980 | 2,286 | 694 | 1,267 | (573) | Negotiation | Mr. Sher Muhammad Khan S/o Umer Uddin |
| Suzuki Mehran ASH-249 | 497 | 401 | 96 | 245 | (149) | Negotiation | Mr.Uzairullah |
| Suzuki Bolan CT-4888 | 635 | 470 | 165 | 287 | (122) | Negotiation | Mr.Yaseen Majeed ur Rahman |
| Suzuki Mehran AQY-836 | 381 | 318 | 63 | 227 | (164) | Negotiation | Mr. Muhammad Shafiq |
| Honda Civic ARC-446 | 1,765 | 1,498 | 267 | 811 | (544) | Negotiation | Mian Sajid Islam |
| Suzuki Mehran Reg. # AYD-181 | 607 | 378 | 229 | 310 | (81) | Negotiation | Mr. Khald Ullah Qureshi S/o Mr. Liaquat Ullah Qureshi |
| Suzuki Mehran AUG-054 | 524 | 395 | 129 | 245 | (116) | Negotiation | Sheikh Rizwan Ahmed |
| Suzuki Mehran AYH-016 | 649 | 399 | 250 | 303 | (53) | Negotiation | Muhammad Anas Khan S/o Asif Jawed |
| Suzuki Ravi Pickup KS-5982 | 655 | 392 | 263 | 300 | (37) | Negotiation | M/s. White Wall Corrugators |
| Honda City AUH-531 | 1,299 | 985 | 314 | 725 | (411) | Negotiation | Mrs. Shamin Zikria W/o Mr. Zikria |
| Suzuki Mehran VXR E2 with Reg # BDV-416 | 720 | 230 | 490 | 700 | (210) | Insurance Claim | EFU General Insurance Limited |
| Suzuki Mehran VXR CNG 796 cc Reg#. BFR-670 | 753 | 145 | 608 | 753 | (145) | Insurance Claim | EFU General Insurance Limited |
| Toyota Corolla GLI AVR-567 | 1,529 | 1,110 | 419 | 875 | (456) | Negotiation | Khawar Ahmed Khan |
| Suzuki Mehran AYM-107 | 649 | 409 | 240 | 329 | (89) | Negotiation | M/s. Modulart |
| Sub-Total | 20,078 | 13,445 | 6,633 | 12,213 | (5,580) | | |
| Write off property plant and equipments | | | | | | | |
| Write off property plant and equipments | 199,038 | 156,787 | 42,251 | - | 42,251 | | |
| Sub-Total | 199,038 | 156,787 | 42,251 | - | 42,251 | | |
| Grand Total-2017 | 406,088 | 305,759 | 100,329 | 45,002 | 55,327 | | |
| Grand Total-2016 | 82,341 | 61,523 | 20,818 | 22,726 | (1,908) | | |



Feroze1888 Mills Limited

**4.4** Had there been no revaluation the related figures of land would have been at Rs.342.17 million as at June 30, 2017 ( 2016: 314.35 million)

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| **4.5 Capital work-in-progress** | | | |
| Opening as at July 1 | | 578,191 | 511,856 |
| Additions during the year | | | |
| - Machines under installation | | 983,648 | 577,927 |
| - Building under construction | | 523,218 | 431,923 |
| - Others | | 54,270 | 28,814 |
| | | 1,561,136 | 1,038,664 |
| Transferred to operating fixed assets | | (1,518,458) | (881,162) |
| Transferred to leasehold improvements | | (61,692) | (64,944) |
| Transferred/adjustment to expense | | (7,382) | (26,223) |
| | | (1,587,532) | (972,329) |
| | | 551,795 | 578,191 |
| Advances - CWIP | | 297,697 | 276,472 |
| Closing Balance | | 849,492 | 854,663 |

## 5 INTANGIBLE ASSETS

| | | 2017 | 2016 |
|---|---|---|---|
| **Software - Cost** | | | |
| Opening as at July 1 | | 30,329 | 30,308 |
| Additions during the year | | - | - |
| Transferred from operating fixed assets during the year | | 2,930 | 21 |
| Closing balance | | 33,259 | 30,329 |
| **Accumulated amortization** | | | |
| Opening as at July 1 | | (30,329) | (25,167) |
| Charge for the year | | (2,754) | (5,162) |
| Closing balance | | (33,083) | (30,329) |
| CWIP | | 2,799 | - |
| **Net book value as at June 30** | | 2,975 | - |

## 6 LONG TERM INVESTMENT

| | Note | 2017 | 2016 |
|---|---|---|---|
| Long term investment | 6.1 | 618 | 10 |

**6.1** This includes investment of Rs. 607,800 (60,780 ordinary shares of Rs. 10) in Xublimity (Private) Limited (the Subsidiary Company) which intends to carry business of IT related services. The subsidiary was incorporated on April 20, 2017 and has not commenced its business operations.

The book value per share is Rs. 8.19/- each based on the latest available unaudited financial statements for the year ended June 30, 2017. Currently, the subsidiary Company is in start up phase and financially supported by the Company to activate its full potential in order to make adequate profits and generate positive cash flows. Accordingly, no impairment in value of investment is recognised as of the balance sheet date.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| **7 STORES AND SPARES** | | | |
| General stores | | 184,095 | 262,966 |
| Chemicals | | 205,684 | 225,807 |
| Packing stores | | 132,182 | 102,577 |
| | | 521,961 | 591,350 |
| Less: Provision for slow moving | | (23,928) | (23,928) |
| | | 498,033 | 567,422 |
| **8 STOCK-IN-TRADE** | | | |
| Raw material | | 1,543,479 | 1,530,681 |
| Work-in-process | | 1,574,768 | 971,073 |
| Finished goods | | 519,463 | 545,215 |
| | | 3,637,710 | 3,046,969 |
| **9 TRADE DEBTS - CONSIDERED GOOD** | | | |
| Export | | 4,342,906 | 2,780,657 |
| Local | | 11,287 | 1,974 |
| | | 4,354,193 | 2,782,631 |
| **10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| **Advances - considered good** | | | |
| - Suppliers | 10.1 | 203,272 | 253,164 |
| - Employees | | 544 | 570 |
| | | 203,816 | 253,734 |
| Short term prepayments | | 9,648 | 7,528 |
| Sales tax refundable | | 292,521 | 533,683 |
| Export rebate | | 303,213 | 407,881 |
| Duty drawback | | 70,982 | 70,982 |
| Special excise duty | | 5,737 | 5,737 |
| Research and development support | | 3,070 | 3,070 |
| Security deposit | 10.2 | 42,231 | 25,897 |
| Markup receivable | | 3,143 | 2,061 |
| Reimbursement due from Government | 10.3 | 83,666 | 50,384 |
| DLTL Receivable | 10.4 | 583,139 | – |
| Others | | 15,698 | 3,823 |
| | | 1,616,864 | 1,364,780 |

10.1 Advance to suppliers includes an amount of Rs. 0.144 million (2016: Rs. 6.5 million ) paid to a related party.

10.2 Security deposit includes an amount of Rs. 26.59 million (2016: Rs. 25.90 million) paid to a related party.





10.3 This represents the amount recognized during the year against Technology Upgradation Fund (TUF) scheme set up by the government for which the Company submitted its claim for reimbursement during the current year based on cost incurred on textile machines imported for upgradation.

10.4 This represents the amount recognised during the year against Duties, levies and taxes as per notification (No.1(41)TID/14-RDA) issued by the government of Pakistan Ministry Of Textile Industry on January 23, 2017. Company submitted its claim for reimbursement during the year based on dispatches made from January 16, 2017 to June 30, 2017 at the rate of 6%.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **11 CASH AND BANK BALANCES** | | | |
| Cash in hand | | 2,393 | 6,603 |
| Cash at bank - current accounts | | 90,538 | 984,305 |
| | | 92,931 | 990,908 |

**12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| (Number of Shares) | | | (Rupees in '000') | |
| 116,728,612 | 116,728,612 | Ordinary shares fully paid in cash | 1,167,286 | 1,167,286 |
| 859,020 | 859,020 | Ordinary shares issued as bonus shares | 8,590 | 8,590 |
| 259,213,336 | 259,213,336 | Ordinary shares fully paid in cash issued against consideration other than cash | 2,592,133 | 2,592,133 |
| 376,800,968 | 376,800,968 | | 3,768,009 | 3,768,009 |

**13 SURPLUS ON REVALUATION**

The Company performed revaluation by independent valuer M/s. Joseph Lobo (Private) Limited (an approved valuer from Pakistan Bank's Association) reports dated May 22, 2017 on the basis of present market value. Previously the revaluation was performed by M/s. Joseph Lobo (Private) Limited on July 15, 2011. This represents surplus on revaluation on land only.

| **14 LONG TERM FINANCE - SECURED** | Note | 2017 | 2016 |
|---|---|---|---|
| Long term finances | 14.1 | 547,150 | 440,000 |
| Current portion shown under current liabilities | | (110,008) | (5,850) |
| | | 437,142 | 434,150 |

**14.1 Long term finance from bank**

| Bank | Note | Nature | Term | Acquisition Date | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Habib Metropolitan Bank Limited | 14.2 | Term loan | 8 half yearly | December 28,2015 | 19,945 | 22,795 |
| | 14.2 | Term loan | 8 half yearly | January 5, 2016 | 24,000 | 24,000 |
| | 14.2 | Term loan | 8 half yearly | April 21, 2016 | 52,700 | 52,700 |
| | 14.2 | Term loan | 10 half yearly | June 12, 2017 | 110,000 | - |
| Faysal Bank Limited | 14.2 | Term loan | 16 Quarterly | May 2, 2016 | 49,650 | 49,650 |
| | 14.2 | Term loan | 16 Quarterly | April 28, 2016 | 21,000 | 21,000 |
| | 14.2 | Term loan | 16 Quarterly | May 6, 2016 | 44,900 | 44,900 |
| | 14.2 | Term loan | 16 Quarterly | May 25, 2016 | 38,000 | 38,000 |
| | 14.2 | Term loan | 16 Quarterly | June 6, 2016 | 65,400 | 65,400 |
| | 14.2 | Term loan | 16 Quarterly | June 20, 2016 | 121,555 | 121,555 |
| | | | | | 547,150 | 440,000 |
| Less: Current portion shown under current liabilites | | | | | (110,008) | (5,850) |
| | | | | | 437,142 | 434,150 |

14.2 These loans have been obtained in acquiring imported and local textile machinery. The rate of markup is 2.5% to 3% (2016: 3%). These are secured against specific charge on the fixed assets and equitable mortgage over immovable properties.

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **15 TRADE AND OTHER PAYABLES** | | | |
| Creditors | 15.1 | **2,669,633** | 1,802,301 |
| Accrued expenses | | **253,244** | 191,679 |
| Workers' profits participation fund | | **129,775** | 213,043 |
| Workers' welfare fund | 15.2 | **59,919** | 43,916 |
| Advance from customers | | **29,092** | 19,005 |
| Payable to provident fund | | **13,619** | 11,019 |
| Unclaimed dividend | | **1,079** | 962 |
| Others | | **22,006** | 12,516 |
| | | **3,178,367** | 2,294,441 |

15.1 This include an amount of Rs. 149.58 million (2016: Rs. 46.55 million) payable to related parties.

**15.2 Workers' profits participation fund (WPPF)**

| | 2017 | 2016 |
|---|---|---|
| Opening balance | **213,043** | 133,769 |
| Interest on WPPF | **41** | 140 |
| Contribution for the year | **129,775** | 213,043 |
| | **342,859** | 346,952 |
| Less: Payment during the year | **(213,084)** | (133,909) |
| Closing balance | **129,775** | 213,043 |

**16 SHORT-TERM BORROWINGS**

| | Note | 2017 | 2016 |
|---|---|---|---|
| From banking Companies | | | |
| Finacne against import / export | 16.1 | **500,000** | – |

16.1 These facilities are subject to markup at the rate from SBP plus 0.5% (2016: Nil) per annum. These arrangements are secured against first pari passu charge over stock in trade, receivbale and other current assets of the company.

**17 ACCRUED MARK-UP**

| | 2017 | 2016 |
|---|---|---|
| Long term finance | **3,432** | 1,682 |
| Short term borrowings - secured | **1,710** | – |
| | **5,142** | 1,682 |





**18 CONTINGENCIES AND COMMITMENTS**

**18.1 Contingencies**

No contingencies exist as at reporting date.

**18.2 Commitments**

Guarantees issued by commercial banks to Sui Southern Gas Company Limited on behalf of the Company amounting to Rs. 239.41 million (2016: Rs. 226.85 million).

Guarantees issued by commercial bank to supplier and Central Excise Department on behalf of the Company amounting to Rs. 7.63 million (2016: Rs. 3.63 million) and Rs. 99.52 million (2016: Rs. 75.85 million) respectively.

Guarantees issued by commercial bank to Nazir Court of Sindh high court on behalf of the Company amounting to Rs. 74.18 (June-2016: nil), for the purpose of Gas Infrastructure Development.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| 18.3 | - Letters of credit | | **127,702** | 34,880 |
| | - Capital expenditure | | **1,091,563** | 57,335 |
| **19** | **SALES - net** | | | |
| | Local | | **223,224** | 221,695 |
| | Export | | **20,519,708** | 19,888,536 |
| | Export rebate | | **273,691** | 361,384 |
| | | | **21,016,623** | 20,471,615 |
| | Less: Sales tax | | **(7,988)** | (8,169) |
| | Less: Marketing fee and others | | **(985,408)** | (798,549) |
| | | | **(993,396)** | (806,718) |
| | | | **20,023,227** | 19,664,897 |
| **20** | **COST OF SALES** | | | |
| | Opening stock of finished goods | | **545,215** | 363,104 |
| | Add: cost of goods manufactured | 20.1 | **15,959,383** | 14,283,408 |
| | | | **16,504,598** | 14,646,512 |
| | Less: closing stock of finished goods | | **(519,463)** | (545,215) |
| | | | **15,985,135** | 14,101,297 |

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **20.1** | **Cost of goods manufactured** | | | |
| | Raw material consumed | 20.1.1 & 10.4 | **9,544,078** | 8,222,474 |
| | Stores consumed | | **2,439,399** | 2,241,413 |
| | Salaries, wages and other benefits | 20.1.2 | **2,330,652** | 1,979,449 |
| | Fuel, power and water | | **1,418,124** | 1,248,832 |
| | Insurance expense | | **21,912** | 27,462 |
| | Repair and maintenance | | **84,503** | 101,115 |
| | Vehicle running expenses | | **11,214** | 10,505 |
| | Communication and transportation | | **43,518** | 43,651 |
| | Rent Expenses | | **105,716** | 124,229 |
| | Other manufacturing expenses | | **34,314** | 28,133 |
| | Amortization of leasehold land improvements | | **25,738** | 32,230 |
| | Depreciation | 4.2 | **503,910** | 404,623 |
| | | | **16,563,078** | 14,464,116 |
| | Opening work-in-process | | **971,073** | 790,365 |
| | Closing work-in-process | | **(1,574,768)** | (971,073) |
| | | | **15,959,383** | 14,283,408 |
| **20.1.1** | **Raw material consumed** | | | |
| | Opening stock | | **1,530,681** | 1,229,094 |
| | Purchases during the year | | **9,556,876** | 8,524,061 |
| | | | **11,087,557** | 9,753,155 |
| | Less: closing stock | | **(1,543,479)** | (1,530,681) |
| | | | **9,544,078** | 8,222,474 |

**20.1.2** This includes an amount of Rs. 45.89 million (2016: Rs. 38.62 million) in respect of staff retirement benefits.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| **21** | **ADMINISTRATIVE COST** | | | |
| | Salaries, wages and benefits | 21.1 | **526,737** | 457,443 |
| | Repairs and maintenance | | **21,494** | 26,060 |
| | Rent, rates, taxes and liscense fee | | **15,091** | 14,922 |
| | Vehicle running expenses | | **23,515** | 19,159 |
| | Conveyance and traveling | | **25,815** | 15,031 |
| | Utilities | | **14,833** | 16,735 |
| | Printing and stationery | | **1,012** | 1,023 |
| | Postage, telegram and telephone | | **20,723** | 18,539 |
| | Legal and professional | | **17,976** | 16,396 |
| | Fees and subscriptions | | **12,371** | 2,474 |
| | Amortization | | **8** | 5,215 |
| | Depreciation | 4.2 | **44,017** | 31,327 |
| | Miscellaneous expenses | | **68,345** | 51,776 |
| | | | **791,937** | 676,100 |

**21.1** This includes amount of Rs. 22.92 million (2016: Rs. 19.44 million) in respect of staff retirement benefits.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| **22** | **DISTRIBUTION COST** | | | |
| | Salaries, wages and benefits | 22.1 | **79,551** | 55,528 |
| | Freight and insurance | | **190,788** | 223,743 |
| | Inspection and forwarding charges | | **169,197** | 152,430 |
| | Showroom and exhibitions | | **17,533** | 23,675 |
| | Export development surcharge | | **47,532** | 49,769 |
| | Market research | | **2,340** | 1,838 |
| | | | **506,941** | 506,983 |

**22.1** This includes amount of Rs. 3.54 (2015: Rs. 2.71 million) in respect of staff retirement benefits.





| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| **23** | **OTHER OPERATING COST NET OF INCOME** | | (Rupees in '000) | |
| | Loss / (Gain) on disposal of property, plant and equipment | | **54,688** | (1,942) |
| | Auditors' remuneration | 23.1 | **1,238** | 1,100 |
| | Workers' profit participation fund | | **129,775** | 213,044 |
| | Workers' welfare fund | | **16,019** | 15,776 |
| | Donations | 23.2 | **15,763** | 38,829 |
| | | | **217,483** | 266,807 |
| **23.1** | **Auditors' remuneration** | | | |
| | Audit fee | | **938** | 800 |
| | Half yearly review | | **200** | 200 |
| | Other certification | | **100** | 100 |
| | | | **1,238** | 1,100 |

**23.2** None of the directors and their spouses had any interest in these donations.

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| **24** | **FINANCE COST** | | | |
| | Mark-up on | | | |
| | - Long term finance | | **13,352** | 9,260 |
| | - Short term borrowings | | **2,347** | 2,357 |
| | - WPPF | | **41** | 140 |
| | | | **15,740** | 11,757 |
| | Bank charges | | **39,298** | 47,360 |
| | Exchange loss | | **16,993** | 22,542 |
| | | | **72,031** | 81,659 |

**24.1** This represents markup paid on short term borrowings facilities and export re-finance facility of Rs. 5,489 million (2016: Rs. 4,419 million) which was secured by pari passu ranking hypothecation charge over stores and spares, stock-in-trade and trade debts amounting to Rs. 8,490 million (2016: Rs. 6,397 million) of the Company. The rate of mark-up for running / short term finance is 3 months KIBOR + 0.5% to 2% per annum (2016: 3 months KIBOR + 0.5% to 2% per annum). The rate of mark-up for export re-finance is SBP rate + 0.25% per annum (2016: SBP rate + half to full spread per annum).

| | | Note | 2017 | 2016 |
|---|---|---|---|---|
| **25** | **TAXATION** | | | |
| | **Current** | | | |
| | Expense | | **240,595** | 219,866 |
| | Tax Credit (65B) | 25.1 | **(109,830)** | - |
| | | | **130,765** | 219,866 |
| | Prior year | 25.2 | **(170,742)** | 2,102 |
| | | | **(39,977)** | 221,968 |

**25.1** The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.

**25.2** This represent tax credit under section 65B relating to the tax year 2014 (46.98 million), 2015 (68.24 million) and 2016 (58.14 million), which has been determine after deemed assesment were amended under section 122 (for the tax year 2015 and 2016), However for the tax year (2014), said assesment is awaited. The said assesment has been passed subsequent to balance sheet date and accordingly recognised against current year's tax.

**25.3** The Finance Act, 2017 states under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute dividend in the form of cash or bonus shares within due date of the end if the year, will be liable to pay tax at the rate of 7.5% of its profit before tax for the said period. However, this tax on undistributed profits is not applicable to a public company which distributes profit equal to 40 percent of its after tax profits, within said due date of the end of the tax year.

In terms of 5A in case it distributes cash or bonus dividend amounting to Rs. 619.076 million (2016: Rs 782.076 million) within due date mention above of the close of the year it would not be liable to any tax under section 5A. The company has already paid interim dividend amounting to Rs. 376.801 million (2016: Rs. 753.603 million) of the profit after tax for the year. The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above, and liability if any in this respect would be recognized as of December 31, 2017 depending upon the dividend distributed out of profit for the year ended June 30, 2017.

**26 EARNINGS PER SHARE - BASIC AND DILUTED**

**26.1 Earning per share-basic**

| | 2017 | | 2016 |
|---|---|---|---|
| | **(Rupees in '000)** | | |
| Profit after taxation | 2,489,677 | | 3,810,083 |
| | | (Number) | |
| Weighted average number of ordinary shares | 376,800,968 | | 376,800,968 |
| | | (Rupees) | |
| Earnings per share-basic | 6.61 | | 10.11 |

**26.2 Earnings per share-diluted**

There is no dilution effect on the shares of the company.

**27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| Particulers | 2017 Chief Executive | 2017 Directors | 2017 Executives | 2017 Total | 2016 Chief Executive | 2016 Directors | 2016 Executives | 2016 Total |
|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | |
| Meeting fees | - | 6,770 | - | 6,770 | - | 240 | - | 240 |
| Managerial Remuneration | 14,715 | - | 479,233 | 493,948 | 12,420 | 17,376 | 323,747 | 353,543 |
| Bonus | 948 | - | 28,036 | 28,984 | 10,970 | 1,516 | 22,120 | 34,606 |
| Retirement benefits | 1,026 | - | 27,874 | 28,900 | 693 | 1,121 | 19,446 | 21,260 |
| | 16,689 | 6,770 | 535,143 | 558,602 | 24,083 | 20,253 | 365,313 | 409,649 |
| No of persons | 1 | - | 261 | 262 | 2 | 2 | 192 | 196 |

**27.1** The Chief Executive, directors and certain executives are provided with the Company's maintained cars.

**27.2** The meeting fees has been paid to non executive directors only.

**28 PROVIDENT FUND DISCLOSURES**

| | **2017** | 2016 |
|---|---|---|
| | **(Rupees in '000)** | |
| Size of the fund | **609,656** | 497,740 |
| Cost of investment made | **545,777** | 319,620 |
| Percentage of investment made | **89.5%** | 64.2% |
| Fair value of investment | **559,107** | 328,992 |

| **Break up of investment - at fair value** | **2017 Rs. in 000's** | **2017 %** | 2016 Rs. in 000's | 2016 % |
|---|---|---|---|---|
| - Shares in listed Companies | **-** | - | 7,354 | 2.2 |
| - Mutual fund | **152,549** | 27.3 | 101,350 | 30.8 |
| - Investment in fixed deposits | **356,223** | 63.7 | 51,869 | 15.8 |
| - Sukuk & Ijara Certificates | **50,335** | 9.0 | 168,419 | 51.2 |
| | **559,107** | | 328,992 | |





**28.1** The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

| | Note | **2017** | 2016 |
|---|---|---|---|
| | | **(Rupees in '000)** | |
| **29 Working capital changes** | | | |
| (Increase) / decrease in current assets | | | |
| Stores and spares | | **69,389** | (122,276) |
| Stock-in-trade | | **(590,741)** | (664,406) |
| Trade debts - considered good | | **(1,571,562)** | 40,415 |
| Advances, prepayments and other receivables | | **(252,084)** | (385,180) |
| | | **(2,344,998)** | (1,131,447) |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | **951,075** | 1,490 |
| | | **(1,393,923)** | (1,129,957) |
| **30 Cash and Cash Equivalents** | | | |
| Cash and bank Balance | 11 | **92,931** | 990,908 |
| Short term borrowings | 16 | **(500,000)** | - |
| | | **(407,069)** | 990,908 |

**31 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note to the financial statements. Transactions with related parties and balances outstanding at the year end, other than those disclosed elsewhere in the financial statements are given below:

| **Nature of transactions** | **Relationship** | 2017 | 2016 |
|---|---|---|---|
| Sales | Associate | **935,465** | 1,032,555 |
| Purchases | Associate | **20,653** | 103,028 |
| Manufacturing and other expenses | Associate | **1,063,857** | 1,061,666 |
| **Balances** | | | |
| (Payable) | Associate | **(122,850)** | (40,006) |

**32 PRODUCTION CAPACITY IN METERS**

| **Towel** | **Looms** | **Capacity** | **Actual** |
|---|---|---|---|
| **2017** | **307** | **111,237,319** | **104,218,395** |
| 2016 | 302 | 100,429,786 | 96,063,806 |

**32.1** Actual production achieved is lower than the capacity due to change in product mix caused by orders.

## 33 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies
The Company has exposures to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

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.

### 33.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

| | **2017** | 2016 |
|---|---|---|
| | **(Rupees in '000)** | |
| Long term deposits | **7,093** | 6,387 |
| Trade debts | **4,354,193** | 2,782,631 |
| Advances and other receivables | **1,403,400** | 1,103,518 |
| Bank balances | **90,538** | 984,305 |
| | **5,855,224** | 4,876,841 |

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:





| | **2017** | 2016 |
|---|---|---|
| | **(Rupees in '000)** | |
| Domestic | **11,287** | 1,974 |
| United States | **4,081,813** | 2,658,795 |
| Gulf states | **7,754** | – |
| European countries | **113,791** | 100,290 |
| Other regions | **139,548** | 21,572 |
| | **4,354,193** | 2,782,631 |

**Impairment losses**

The aging of trade debts at the balance sheet date was:

| | **2017** | 2016 |
|---|---|---|
| Not past due | **3,682,171** | 2,381,723 |
| Past due 1-60 days | **672,008** | 400,892 |
| Past due 61 days -90 days | **9** | 7 |
| More than 90 days | **5** | 9 |
| | **4,354,193** | 2,782,631 |

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above.

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due upto one year do not require any impairment except as provided in these financial statements, if any. None of the other financial assets are either past due or impaired.

The credit quality of Company's liquid funds is high since the counter parties are banks with reasonable external credit ratings.

### 33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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 damage to the Company's reputation.

On the reporting date, the Company has cash and bank balances and unutilised credit lines of Rs. 92.93 million (2016: Rs. 990.91 million) and Rs. 5,990 million (2016: Rs. 4,690 million).

The following are the contractual maturities of financial liabilities, including interest payments:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Twelve months or less | Two to five years | More than five years |
| | (Rupees in '000) | | | | |
| **Non-derivates** | | | | | |
| **Financial libilities** | | | | | |
| Long term financing including accrued mark - up | 553,432 | (609,532) | 123,890 | 485,642 | – |
| Short term borrowings including accrued mark - up | 501,710 | (501,710) | 501,710 | – | – |
| Trade and other payables | 2,988,673 | (2,988,148) | 2,988,148 | – | – |
| | 4,043,815 | (4,099,390) | 3,613,748 | 485,642 | – |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Twelve months or less | Two to five years | More than five years |
| | (Rupees in '000) | | | | |
| **Non-derivates** | | | | | |
| **Financial libilities** | | | | | |
| Long term financing including accrued mark - up | 441,682 | (485,677) | 128,590 | 457,087 | – |
| Trade and other payables | 2,037,482 | (2,037,482) | 2,037,482 | – | – |
| | 2,479,164 | (2,523,159) | 2,066,072 | 457,087 | – |

**33.3 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.

**33.3.1 Currency risk**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

**Exposure to currency risk**

The Company is exposed to currency risk on trade debts, sales, trade payables and purchases that are denominated in a currency other than the respective functional currency of the Company. The currencies in which these transactions are denominated is the US Dollars and Euros.

The Company's exposure to foreign currency risk is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | USD | Euro | USD | Euro |
| Trade debts | 41,470 | – | 26,609 | – |
| Trade payable | (2,373) | – | (516) | – |
| | 39,097 | – | 26,093 | – |





The following significant exchange rates have been applied:

| 2017 USD to PKR | | | | 2016 USD to PKR | | | |
|---|---|---|---|---|---|---|---|
| Reporting date rate | | Average rate | | Reporting date rate | | Average rate | |
| buying 106.40 | selling 106.70 | buying 104.55 | selling 104.75 | buying 104.5 | selling 104.7 | buying 104.53 | selling 104.73 |

**Sensitivity Analysis**

A 10 percent strengthening / weakening of the PKR against USD and PKR against Euro at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2017 | 2016 |
|---|---|---|
| | (Rupees in '000) | |
| **Effect on profit** | | |
| USD 10% | (417,165) | (273,195) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and assets and liabilities of the Company.

**33.3.2 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 exposure arises from short and long term borrowings from banks . At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

| | Carrying amount | |
|---|---|---|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| **Financial liabilities** | | |
| Long term finance | 547,150 | 440,000 |

**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.

**33.3.3 Fair value of financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**33.3.4 Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

**34 OPERATING SEGMENTS**

These financial statements have been prepared on the basis of a single reportable segment.

- Revenue from export sales represents 99.55% (2016 : 99.54% ) of the total gross revenue of the Company.
- All non-current assets of the Company at June 30, 2017 are located in Pakistan.
- The amount of revenue from customers having sales of more than 10% of total sales amounting to Rs. 12,718 million, excluding sales tax and Federal Excise Duty, during the year ended June 30, 2017 (2016: 11,509 million). The major customers are outside from Pakistan.

**35 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

| Reclassification from component | Reclassification to component | Amount (Rupees in '000') |
|---|---|---|
| Administrative-Electric Expense | Manufacturing-Gas Expense | 12,083 |
| Administrative-Miscellanoues | Administrative-Rent, rates, taxes & License Fee | 5,987 |
| Administrative-Miscellanoues | Administrative-Salaries | 14,920 |

**35.1 NON ADJUSTING EVENT**

The Board of Directors in its meeting held on September 26, 2017 has proposed a cash dividend in respect of the year ended June 30, 2017 of Rs 1.70 per share for all shareholders amounting to Rs.640,561,646 (2016: Rs 2.10 per share amounting to Rs. 791,282,033 for all shareholders of the Company, for approval of the members at the Annual General Meeting to be held on October 26, 2017. These financial statements do not include the effect of this proposed cash dividend which will be accounted for in the financial statements for the year ending June 30, 2018.

**36 NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

| | 2017 | | 2016 |
|---|---|---|---|
| | ------- | (Number) | --------- |
| Total number of employees as at June 30 | 3,100 | | 2,985 |
| Average number of employees during the year | 3,067 | | 2,992 |

**37 DATE OF AUTHORIZATION FOR ISSUE**

Theses financial statements were authorised for issue on September 26, 2017 by the Board of Directors of the Company.

**38 GENERAL**

All figures in the financial statements are rounded off to the nearest thousand.

| Khaleequr Rahman | Rehan Rahman | Imran Tola |
|---|---|---|
| Director | Chief Executive | Chief Financial Officer |





## AUDITOURS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Feroze1888 Mills Limited (the Holding Company) and its subsidiary Company as at June 30, 2017 and the related consolidated profit and loss Accounts, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Feroze1888 Mills Limited however the results of the subsidiary Company have been consolidated based on the unaudited financial information prepared by management.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such test of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of Feroze1888 Mills Limited (the Holding Company) and its subsidiary Company as at June 30, 2017 and the results of their operations for the year then ended.

Karachi:

Date: September 26, 2017

**Rahman Sarfaraz Rahim Iqbal Rafiq**
**Chartered Accountants**
**Engagement partner: Muhammad Waseem**

## CONSOLIDATED BALANCE SHEET
## AS AT JUNE 30, 2017

| | Note | 2017 |
|---|---|---|
| | | (Rupees in '000) |
| **ASSETS** | | |
| Non-current assets | | |
| Property, plant and equipment | 4 | 8,262,151 |
| Intangible assets | 5 | 2,975 |
| Long term investment | | 10 |
| Long term deposits | | 7,093 |
| | | 8,272,229 |
| **Current assets** | | |
| Stores and spares | 6 | 498,033 |
| Stock-in-trade | 7 | 3,637,710 |
| Trade debts - considered good | 8 | 4,354,193 |
| Advances, prepayments and other receivables | 9 | 1,616,720 |
| Taxation | | 265,920 |
| Cash and bank balances | 10 | 93,730 |
| | | 10,466,306 |
| | | 18,738,535 |
| **SHARE CAPITAL & RESERVES** | | |
| Authorised share capital | | |
| 400,000,000 (2016: 400,000,000) ordinary shares of Rs. 10 each | | 4,000,000 |
| Issued, subscribed and paid-up capital | 11 | 3,768,009 |
| Capital reserve | | 758,663 |
| Consolidated Group Reserves | | 8,482,039 |
| | | 13,008,711 |
| Non-Controlling Interest | | 157 |
| Surplus on revaluation | 12 | 1,499,008 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Long term finance - secured | 13 | 437,142 |
| **Current liabilities** | | |
| Trade and other payables | 14 | 3,178,367 |
| Short term borrowings | 15 | 500,000 |
| Accrued mark-up | 16 | 5,142 |
| Current portion of long term finance | 13 | 110,008 |
| | | 3,793,517 |
| **Contingencies and commitments** | 17 | |
| | | 18,738,535 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
|---|---|---|
| Director | Chief Executive | Chief Financial Officer |





## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## AS AT JUNE 30, 2017

| | Note | 2017 |
|---|---|---|
| | | (Rupees in '000) |
| Sales - net | 18 | 20,023,227 |
| Cost of sales | 19 | (15,985,135) |
| **Gross profit** | | 4,038,092 |
| Administrative cost | 20 | (792,082) |
| Distribution cost | 21 | (506,941) |
| Other operating cost | 22 | (217,483) |
| | | (1,516,506) |
| **Operating profit** | | 2,521,586 |
| Finance cost | 23 | (72,031) |
| **Profit before taxation** | | 2,449,555 |
| Taxation | 24 | 39,977 |
| **Profit after taxation** | | 2,489,532 |
| **Earnings per share** | 25 | 6.61 |
| Share of Profit/(Loss) Attributable Relating to: | | 2,489,567 |
| Parent | | (35) |
| NCI | | 2,489,532 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
|---|---|---|
| Director | Chief Executive | Chief Financial Officer |

## STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 |
|---|---|
| | (Rupees in '000) |
| Profit for the year | 2,489,567 |
| Other comprehensive income for the year | – |
| Total comprehensive income for the year | 2,489,567 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive

**Imran Tola**
Chief Financial Officer





## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 |
|---|---|---|
| | | (Rupees in '000) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | | 2,449,555 |
| **Adjustments for non cash charges and other items:** | | |
| Depreciation | | 547,927 |
| Amortization | | 25,746 |
| Finance cost | | 72,031 |
| Workers' fund | | 145,835 |
| Loss on disposal of property, plant and equipment | | 54,688 |
| **Operating profit before working capital changes** | | 846,227 |
| | | 3,295,782 |
| **Changes in working Capital** | 28 | (1,393,779) |
| Cash generated from operating activities | | 1,902,003 |
| Finance cost paid | | (68,571) |
| Workers' fund paid | | (213,100) |
| Income tax paid | | (230,902) |
| **Net cash generated from operating activities** | | 1,389,430 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditure | | (1,762,999) |
| Proceeds from sale of operating fixed assets | | 37,721 |
| Long term deposits placed during the period | | (706) |
| **Net cash used in investing activities** | | (1,725,984) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividend paid | | (1,167,966) |
| Long term finance obtained | | 110,000 |
| Acquisition of Non-Controlling Interest | | 192 |
| Repayment of long term finance | | (2,850) |
| **Net cash used in financing activities** | | (1,060,624) |
| Net (decrease)/increase in cash and cash equivalents | | (1,397,178) |
| Cash and cash equivalents at the beginning of the year | | 990,908 |
| **Cash and cash equivalents at the end of the year** | 29 | (406,270) |

The annexed notes from 1 to 37 form an integral part of these financial statements.

**Khaleequr Rahman**
Director

**Rehan Rahman**
Chief Executive

**Imran Tola**
Chief Financial Officer

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2017

| | Share capital | Capital reserve | Accumulated profit | No Controlling Interest | Total |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **Opening as at July 01, 2016** | 3,768,009 | 758,663 | 7,160,555 | – | 11,687,227 |
| **Incorporation of Subsidiary** | – | – | – | 192 | 192 |
| **Total comprehensive income for the year ended June 30, 2017** | – | – | 2,489,567 | (35) | 2,489,532 |
| **Transactions with owners** | | | | | |
| **Final cash dividend for the year ended June 30, 2016** | | | | | |
| - Final @ 21% (Rs. 2.10 per share) for all shareholders | – | – | (791,282) | – | (791,282) |
| **Interim cash dividend** | | | | | |
| - Interim @ 10% (Rs. 1.00 per share) for all shareholders | – | – | (376,801) | – | (376,801) |
| | – | – | (1,168,083) | – | (1,168,083) |
| **Balance as at June 30, 2017** | 3,768,009 | 758,663 | 8,482,039 | 157 | 13,008,868 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
|---|---|---|
| Director | Chief Executive | Chief Financial Officer |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2017

**1 STATUS AND NATURE OF BUSINESS**

**1.1 The Group consists of:**

- Feroze1888 Mills Limited ("the Holding Company"); and
- Xublimity (Private) Limited ("the Subsidiary Company").

The Company was incorporated in Pakistan as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange). The Company is principally engaged in production and export of towels. The registered office of the Company is situated at H-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi.

Xublimity (Private) Limited was incorporated in Pakistan as private limited company, and its 75.98% shares has been held by Feroze1888 Mills Limited (the Holding Company). Its principal business is to provide all kinds of Information Technology solutions.

**1.2 Basis of consolidation**

The financial statements comprise of the financial statement of the Group.

Subsidiary company is consolidated from dated April 20, 2017 when 75.98% voting rights are transferred to the Holding Company and will be excluded from consolidation from the date of disposal or cessation of control.

The financial statements of the subsidiary company are prepared for the same reporting period as the Holding company's using consistent accounting policies.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide circular no. 17 0f 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

**2.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except for land which is carried at revalued amount and certain exchange elements that have been incorporated in the cost of the relevant assets.

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make the judgment, estimates, assumptions and use judgments 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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

Judgments and estimates made by management that may have a significant risk of material adjustments to the consolidated financial statements in subsequent years are as follows:

| | | Note |
|---|---|---|
| a) | Useful lives and residual values of property, plant and equipment | 3.1 |
| b) | Provision for obsolete / slow moving stores and spares | 3.3 |
| c) | Provision for obsolete / slow moving stock-in-trade | 3.4 |
| d) | Estimation for impairment in respect of trade debts | 3.5 |
| e) | Taxation | 3.6 |
| f) | Staff retirement benefits | 3.11 |

**2.5 Initial application of new standards and amendments to approved accounting standards**

**2.5.1 Amendments to approved accounting standards effective during the year ended June 30, 2017:**

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these consoliadted financial statements.

The Holding Company has adopted the following new and revised standards to IFRSs which became effective for the current year:

IFRS 10 - Consoliadated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interest in Other Entities

IFRS 13 - Fair Value Measurement

IAS 27 (Revised 2011) - Separate Financial Statements

IAS 28 - Investment in associates and joint ventures

**2.5.2 Standards and amendments to approved accounting standards that are effective for the Group's accounting periods beginning on or after July 1, 2017:**

There are certain new standards and amendments to the approved accounting standards that will become effective for the Group's annual accounting periods beginning on or after July 1, 2017. However, these amendments will not have a significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements. Further, the new standards are yet to be adopted by the SECP. In addition to the foregoing, the Companies Act 2017 which is not effective on these consolidated financial statements, has added certain disclosure requirements which will be applicable in future.





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property, plant and equipment**

**3.1.1 Owned**

These are stated at historical cost less accumulated depreciation and impairment loss, if any, except for land that are shown at revalued amounts. Depreciation is charged to consolidated profit and loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4.1 to the consolidated financial statements except for lease hold improvement which are depreciated on straight line basis over the period of 3 to 5 years. Depreciation on additions is charged when the asset is available for use until asset is disposed off.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken to the consolidated profit and loss account.

Depreciation method, useful lives and residual values are reviewed annually and adjusted, if appropriate, at each balance sheet date.

Repairs and maintenance are charged to profit and loss as and when incurred.

**3.1.2 Capital work in progress**

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

**3.2 Intangible assets**

Computer software is capitalized on the basis of cost incurred to acquire and bring to use the specific software. Amortization is charged to the consolidated profit and loss account using the 'straight line' method over a period of 5 year. Amortization is charged from the date of purchase of the intangible asset until intangible asset is disposed off. Intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Any resulting gain or loss on derecognition are recognized in consolidated profit and loss account. The estimated useful life and the amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**3.3 Stores and spares**

Stores and spares, excluding items in transit, are valued at lower of moving average cost and net realisable value. Provision is made for slow moving and obsolete items, based on management's best estimate regarding their future usability.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the reporting date.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

**3.4 Stock-in-trade**

Raw materials and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads. By products and waste products are valued at net realisable value.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred to make the sale.

Provisions are made in the consolidated financial statements for obsolete and slow moving stock-in-trade based on management's best estimate regarding there future usability.

**3.5 Trade and other receivables**

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful debts which is determined based on management review of outstanding amounts and previous repayment pattern. Balances considered bad and irrevocable are written off.

**3.6 Taxation**

Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**3.6.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalized during the year.

**3.6.2 Deferred**

Deferred tax is provided by using the consolidated balance sheet liability method for all temporary differences arising at the consolidated balance sheet date subject to certain exceptions between tax base of assets and liabilities and their carrying amounts. Presently the Holding Company is being assessed under section 148 and 153 of the Income Tax Ordinance, 2001, therefore, the Holding Company does not account for deferred tax.

**3.7 Cash and cash equivalents**

Cash and cash equivalents in the consolidated cash flow statement includes cash in hand, balance with banks, and bank overdrafts / short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the consolidated balance sheet.





**3.8 Share capital**

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**3.9 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated balance sheet date.

**3.10 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.

**3.11 Staff retirement benefits**

**3.11.1 Defined contribution plans**

The Group operates an approved defined contribution provident fund for its eligible employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary.

**3.11.2 Employees' compensation absences**

The Group accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

**3.12 Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect current best estimate.

**3.13 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and sales tax or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

- transferred to the customer the significant risks and rewards of ownership;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

**3.14 Borrowing costs**

Borrowing cost are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing cost.

**3.15 Foreign currency transactions and translation**

These consolidated financial statements are presented in Pak Rupees, which is Group's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

**3.16 Financial instruments**

Financial assets and financial liabilities are recognized at fair value or amortized cost when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans, cash and bank balances, short term finance and trade and other payables excluding sales tax payable, Workers' Profit Participation Fund, Workers' Welfare Fund and special excise duty. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**3.16.1 Financial Assets**

- **Classification :**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group classifies its investments in the following categories:

**a) Available for sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

**b) Fair value through profit and loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.





**c) Held to maturity**

Investments with a fixed maturity where the Group has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

**d) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'trade debts', 'short term loans' and other receivables' in the balance sheet.

- Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans andreceivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated profit and loss account within income / expenses in the period in which they arise.

Changes in fair value of monetary and non-monetary investments classified as available-for-sale are recognized in other consolidated comprehensive income. When securities classified as available- for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale investment calculated using the effective interest method is recognizedin the profit and loss account as part of other income.

**3.16.2 Financial liabilities**

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

**3.17 Impairment of Assets**

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

**Non - financial assets**

The carrying amount of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in consolidated profit and loss account.

**3.18 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Group has a legally enforceable right to setoff the recognized amounts and the Group intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

**3.19 Transactions with related parties**

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Group to do so.

**3.20 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**3.21 Dividend and appropriation to reserves**

Dividend distribution to the Group's shareholders and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non adjusting event and is recognized in the financial statements in the period in which such transfers are made.

| | | Note | 2017 (Rupees in '000) |
|---|---|---|---|
| **4** | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | Operating fixed assets | 4.1 | 7,318,053 |
| | Capital work-in-progress | 4.5 | 849,492 |
| | Lease hold improvements | | 94,606 |
| | | | 8,262,151 |





**4.1 Operating fixed assets**

| | Lease hold land | Free hold land | Building on Leasehold Land | Building on Freehold Land | Plant & Machinery | Electric fittings / Equipments | Office Equipment | Computers | Furniture and Fixtures | Vehicles | Arms and Ammunitions | Sub Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Rupees in '000' | | | | | | |
| **As at June 30, 2016** | | | | | | | | | | | | |
| Cost | 1,090,043 | 308,038 | 969,993 | 148,250 | 6,611,739 | 250,212 | 78,088 | 94,556 | 43,571 | 207,174 | 43 | 9,801,707 |
| Accumulated depreciation | - | - | (441,923) | (88,840) | (3,120,008) | (124,521) | (26,596) | (64,643) | (25,427) | (72,706) | (34) | (3,964,698) |
| Net book value | **1,090,043** | **308,038** | **528,070** | **59,410** | **3,491,731** | **125,691** | **51,492** | **29,913** | **18,144** | **134,468** | **9** | **5,837,009** |
| **Year ended June 30, 2017** | | | | | | | | | | | | |
| Opening net book value | 1,090,043 | 308,038 | 528,070 | 59,410 | 3,491,731 | 125,691 | 51,492 | 29,913 | 18,144 | 134,468 | 9 | 5,837,009 |
| Additions / transfers during the year | 24,747 | - | 432,167 | - | 1,147,630 | 14,997 | 13,369 | 23,258 | 6,692 | 63,034 | - | 1,725,893 |
| Transfer to intangible assets | - | - | - | - | (406) | - | (803) | (1,926) | - | - | - | (3,135) |
| Reclassification | - | - | - | - | 3,513 | (3,878) | 368 | - | - | - | (3) | - |
| Surplus on Revaluation | 284,575 | 133,770 | - | - | - | - | - | - | - | - | - | 418,345 |
| Adjustment | - | - | (1,213) | - | (13,000) | - | - | - | - | - | - | (14,213) |
| **Disposals / transfers** | | | | | | | | | | | | |
| Cost | - | - | - | - | (341,008) | (25,560) | (7,105) | (5,934) | (7,317) | (20,424) | - | (407,348) |
| Accumulated depreciation | - | - | - | - | 255,855 | 20,774 | 5,490 | 5,782 | 5,245 | 13,793 | - | 306,939 |
| Net book value | - | - | - | - | (85,153) | (4,786) | (1,615) | (152) | (2,072) | (6,631) | - | (100,409) |
| Transfer to intangible assets | - | - | - | - | 99 | - | 494 | 1,898 | - | - | - | 2,490 |
| Reclassification | - | - | - | - | 37 | 33 | (219) | (1) | (30) | 177 | 3 | - |
| Depreciation for the year | - | - | (68,020) | (5,941) | (404,578) | (13,170) | (8,447) | (12,875) | (1,962) | (32,933) | (1) | (547,927) |
| Closing net book value | **1,399,365** | **441,808** | **892,217** | **53,469** | **4,149,766** | **122,764** | **55,074** | **42,041** | **20,772** | **158,115** | **11** | **7,318,053** |
| **As at June 30, 2016** | | | | | | | | | | | | |
| Cost | 1,399,365 | 441,808 | 1,400,947 | 148,250 | 7,408,468 | 235,771 | 83,917 | 109,954 | 42,946 | 249,784 | 40 | 11,521,249 |
| Accumulated depreciation | - | - | (509,943) | (94,781) | (3,268,595) | (116,885) | (29,278) | (69,839) | (22,174) | (91,669) | (32) | (4,203,196) |
| Net book value | **1,399,365** | **441,808** | **891,004** | **53,469** | **4,139,873** | **118,886** | **54,639** | **40,115** | **20,772** | **158,115** | **8** | **7,318,053** |
| Annual rates of depreciation | **0%** | **0%** | **10%** | **10%** | **10%** | **10%** | **15%** | **30%** | **10%** | **20%** | **15%** | |

| | 2017 |
|---|---|
| | (Rupees in '000) |

**4.2 Depreciation charge for the year has been allocated as under:-**

| | |
|---|---|
| Cost of sales | 503,910 |
| Administrative cost | 44,017 |
| | 547,927 |

**4.3 Details of disposal of property, plant and equipment having book value of more than Rs. 50,000 during the year are as follows:**

| Particulars | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Loss / (gain) | Mode of Disposal | Parties |
|---|---|---|---|---|---|---|---|
| Plant and Machinery | | | | | | | |
| Gas Generator Waukesha 625Kva Model L-36 GLD, With Radiator | 1,011 | 796 | 215 | 1,100 | (885) | Negotiation | Swam Power |
| Gas Generator Waukesha 670KVA, 380V | 8,789 | 6,415 | 2,374 | 1,100 | 1,274 | Negotiation | Swam Power |
| Diesel Generator Hino W 040D 50 KVA | 482 | 369 | 113 | 100 | 13 | Negotiation | Rajab Ali |
| Diesel Generator Cater pillar G-3512 1400KVA | 7,965 | 5,479 | 2,486 | 1,500 | 986 | Negotiation | Internationl Power Services |
| Shearing Machine | 215 | 116 | 99 | 400 | (301) | Negotiation | Mr. Hyder Zaman |
| Gas Generator Kohler 125RZG 130Kva | 1,965 | 1,379 | 586 | 160 | 426 | Negotiation | Muhammad Iqbal Butt |
| Gas Generator Waukesha Engine 635 KW | 24,732 | 19,594 | 5,138 | 925 | 4,213 | Negotiation | Internationl Power Services |
| Uni Gas Apolo VR-550-B Gas Compressor | 5,223 | 4,219 | 1,004 | 200 | 804 | Negotiation | Mr. Kashif Waheed |
| Fork Lifter # 5 Caterpillar 10 Ton Diesel | 850 | 791 | 59 | 480 | (421) | Negotiation | Mr. Kashif Waheed |
| Plastic Dana Cutter Machine | 125 | 41 | 84 | 200 | (116) | Negotiation | Mr. Asad Bacha |
| Poly Recycling Extrauder Machine (Mother Baby) | 775 | 390 | 385 | 200 | 185 | Negotiation | Mr. Asad Bacha |
| Spinning Machine Hub - Multiple Assets | 3,605 | 2,946 | 659 | 108 | 551 | Negotiation | Mr. Muhammad Saleem |
| Fabric Printing Machine with Dryer | 2,506 | 2,131 | 375 | 199 | 176 | Negotiation | Muhammad Aleem Khan |
| Trolly | 735 | 632 | 103 | 20 | 83 | Negotiation | Kashif Waheed |
| Trolly | 650 | 556 | 94 | 17 | 77 | Negotiation | Kashif Waheed |
| Sulzer TPS-600 Dobby Looms | 60,259 | 50,683 | 9,576 | 12,000 | (2,424) | Negotiation | M/s. Umer Industry |
| Fork Lifter # 3 TCM 02 Ton Diesel (Lc#26197) | 975 | 871 | 104 | 475 | (371) | Negotiation | Muhammad Aleem Khan |
| Steamer Xorella | 2,764 | 2,174 | 590 | 550 | 40 | Negotiation | Mr.Kashif Waheed |
| Gas Generator Cat G3516 C # 4 1600KW | 46,516 | 22,378 | 24,138 | 12,000 | 12,138 | Negotiation | Brilliant Automation Solutions |
| Old Stitching machines | 8,910 | 7,454 | 1,456 | 500 | 956 | Negotiation | Mr. Javeed |
| Multi Drum Dust & Waste Removal System JSDT | 2,062 | 1,173 | 889 | 185 | 704 | Negotiation | Ashraf Ali |
| Barodan Lock Stitch Hemming Machine | 2,943 | 2,275 | 668 | 116 | 552 | Negotiation | Mr.Kashif Waheed |
| Soft Winding Machine Scharer SSM 41 - 24 Spindles | 2,915 | 2,665 | 250 | 254 | (4) | Negotiation | Mr.Mureed Abbas |
| Sub-Total | 186,972 | 135,527 | 51,445 | 32,789 | 18,656 | | |
| Motor Vehicles: | | | | | | | |
| Honda City Reg#. AUY-684 | 1,359 | 943 | 416 | 800 | (384) | Negotiation | Mr. Sheroze Bostan S/o. Muhammad Bostan |
| Suzuki Mehran VXR Reg#. BFB-463 | 753 | 63 | 690 | 753 | (63) | Insurance Claim | EFU General Insraunce Ltd |
| Toyota Coaster Reg#. CR-6644 | 1,726 | 1,508 | 218 | 1,400 | (1,182) | Negotiation | Mr. Danis Khan S/o. Mr. Rustam Khan |
| Shehzore Pickup Reg#. KN-8259 | 706 | 647 | 59 | 525 | (466) | Negotiation | Mr. Aas Muhammad S/o. Abdul Hafeez |
| Suzuki Mehran VXR 796CC BFB-480 | 753 | 74 | 679 | 753 | (74) | Insurance Claim | EFU General Insraunce Ltd |
| Suzuki Mehran AVM-542 | 569 | 394 | 175 | 305 | (130) | Negotiation | Mr. Muhammad Saleem S/o. Muhammad Manzoor |
| Suzuki Mehran AVG-821 | 569 | 400 | 169 | 300 | (131) | Negotiation | Mr. Khubaib Ahmed Qureshi S/o. Ishtiaq Ahmed Qureshi |
| Toyota Hiace CT-1888 Dual | 2,980 | 2,286 | 694 | 1,267 | (573) | Negotiation | Mr. Sher Muhammad Khan S/o Umer Uddin |
| Suzuki Mehran ASH-249 | 497 | 401 | 96 | 245 | (149) | Negotiation | Mr.Uzairullah |
| Suzuki Bolan CT-4888 | 635 | 470 | 165 | 287 | (122) | Negotiation | Mr.Yaseen Majeed ur Rahman |
| Suzuki Mehran AQY-836 | 381 | 318 | 63 | 227 | (164) | Negotiation | Mr. Muhammad Shafiq |
| Honda Civic ARC-446 | 1,765 | 1,498 | 267 | 811 | (544) | Negotiation | Mian Sajid Islam |
| Suzuki Mehran Reg. # AYD-181 | 607 | 378 | 229 | 310 | (81) | Negotiation | Mr. Khald Ullah Qureshi S/o Mr. Liaquat Ullah Qureshi |
| Suzuki Mehran AUG-054 | 524 | 395 | 129 | 245 | (116) | Negotiation | Sheikh Rizwan Ahmed |
| Suzuki Mehran AYH-016 | 649 | 399 | 250 | 303 | (53) | Negotiation | Muhammad Anas Khan S/o Asif Jawed |
| Suzuki Ravi Pickup KS-5982 | 655 | 392 | 263 | 300 | (37) | Negotiation | M/s. White Wall Corrugators |
| Honda City AUH-531 | 1,299 | 985 | 314 | 725 | (411) | Negotiation | Mrs. Shamin Zikria W/o Mr. Zikria |
| Suzuki Mehran VXR E2 with Reg # BDV-416 | 720 | 230 | 490 | 700 | (210) | Insurance Claim | EFU General Insurance Limited |
| Suzuki Mehran VXR CNG 796 cc Reg#. BFR-670 | 753 | 145 | 608 | 753 | (145) | Insurance Claim | EFU General Insurance Limited |
| Toyota Corolla GLI AVR-567 | 1,529 | 1,110 | 419 | 875 | (456) | Negotiation | Khawar Ahmed Khan |
| Suzuki Mehran AYM-107 | 649 | 409 | 240 | 329 | (89) | Negotiation | M/s. Modulart |
| Sub-Total | 20,078 | 13,445 | 6,633 | 12,213 | (5,580) | | |
| Write off property plant and equipments | | | | | | | |
| Write off property plant and equipments | 199,038 | 156,787 | 42,251 | – | 42,251 | | |
| Sub-Total | 199,038 | 156,787 | 42,251 | – | 42,251 | | |
| Grand Total-2017 | 406,088 | 305,759 | 100,329 | 45,002 | 55,327 | | |
| Grand Total-2016 | 82,341 | 61,523 | 20,818 | 22,726 | (1,908) | | |



Feroze1888 Mills Limited

**4.4** Had there been no revaluation the related figures of land would have been at Rs.342.17 million as at June 30, 2017.

| | 2017 |
|---|---|
| | (Rupees in '000) |
| **4.5 Capital work-in-progress** | |
| Opening as at July 1 | 578,191 |
| Additions during the year | |
| - Machines under installation | 983,648 |
| - Building under construction | 523,218 |
| - Others | 54,270 |
| | 1,561,136 |
| Transferred to operating fixed assets | (1,518,458) |
| Transferred to leasehold improvements | (61,692) |
| Transferred/adjustment to expense | (7,382) |
| | (1,587,532) |
| | 551,795 |
| Advances - CWIP | 297,697 |
| Closing Balance | 849,492 |

## 5 INTANGIBLE ASSETS

| | |
|---|---|
| **Software** | |
| Cost | |
| Opening as at July 1 | 30,329 |
| Transferred from operating fixed assets during the year | 2,930 |
| Closing balance | 33,259 |
| **Accumulated amortization** | |
| Opening as at July 1 | (30,329) |
| Charge for the year | (2,754) |
| Closing balance | (33,083) |
| CWIP | 2,799 |
| **Net book value as at June 30** | 2,975 |

## 6 STORES AND SPARES

| | |
|---|---|
| General stores | 184,095 |
| Chemicals | 205,684 |
| Packing stores | 132,182 |
| | 521,961 |
| Less: Provision for slow moving | (23,928) |
| | 498,033 |

## 7 STOCK-IN-TRADE

| | |
|---|---|
| Raw material | 1,543,479 |
| Work-in-process | 1,574,768 |
| Finished goods | 519,463 |
| | 3,637,710 |

| | Note | 2017 |
|---|---|---|
| | | (Rupees in '000) |

**8 TRADE DEBTS - CONSIDERED GOOD**

| | Note | 2017 |
|---|---|---|
| Export | | 4,342,906 |
| Local | | 11,287 |
| | | 4,354,193 |

**9 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

| | Note | 2017 |
|---|---|---|
| **Advances - considered good** | | |
| - Suppliers | | 203,128 |
| - Employees | | 544 |
| | | 203,672 |
| Short term prepayments | | 9,648 |
| Sales tax refundable | | 292,521 |
| Export rebate | | 303,213 |
| Duty drawback | | 70,982 |
| Special excise duty | | 5,737 |
| Research and development support | | 3,070 |
| Security deposit | 9.1 | 42,231 |
| Markup receivable | | 3,143 |
| Reimbursement due from Government | 9.2 | 83,666 |
| DLTL Receivable | 9.3 | 583,139 |
| Others | | 15,698 |
| | | 1,616,720 |

**9.1 Security deposit includes an amount of Rs. 26.59 million paid to a related party.**

9.2 This represents the amount recognized during the year against Technology Upgradation Fund (TUF) scheme set up by the government for which the Holding Company submitted its claim for reimbursement during the current year based on cost incurred on textile machines imported for upgradation.

9.3 This represents the amount recognised during the year against Duties, levies and taxes as per notification (No.1(41)TID/14-RDA) issued by the government of Pakistan Ministry Of Textile Industry on January 23, 2017. Holding Company submitted its claim for reimbursement during the year based on dispatches made from January 16, 2017 to June 30, 2017 at the rate of 6%.

**10 CASH AND BANK BALANCES**

| | 2017 |
|---|---|
| Cash in hand | 2,393 |
| Cash at bank - current accounts | 91,337 |
| | 93,730 |



Feroze1888 Mills Limited

**11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| 2017 (Number of Shares) | | Note | 2017 (Rupees in '000) |
|---|---|---|---|
| 116,728,612 | Ordinary shares fully paid in cash | | 1,167,286 |
| 859,020 | Ordinary shares issued as bonus shares | | 8,590 |
| 259,213,336 | Ordinary shares fully paid in cash issued against consideration other than cash | | 2,592,133 |
| 376,800,968 | | | 3,768,009 |

**12 SURPLUS ON REVALUATION**

The Holding Company performed revaluation by independent valuer M/s. Joseph Lobo (Private) Limited (an approved valuer from Pakistan Bank's Association) reports dated May 22, 2017 on the basis of present market value. Previously the revaluation was performed by M/s. Joseph Lobo (Private) Limited on July 15, 2011. This represents surplus on revaluation on land only.

**13 LONG TERM FINANCE - SECURED**

| | Note | 2017 |
|---|---|---|
| Long term finances | 13.1 | 547,150 |
| Current portion shown under current liabilities | | (110,008) |
| | | 437,142 |

**13.1 Long term finance from bank**

| Bank | Note | Nature | Term | Acquisition Date | |
|---|---|---|---|---|---|
| Habib Mertropolitan Bank Limited | 13.2 | Term loan | 8 half yearly | December 28,2015 | 19,945 |
| | 13.2 | Term loan | 8 half yearly | January 5, 2016 | 24,000 |
| | 13.2 | Term loan | 8 half yearly | April 21, 2016 | 52,700 |
| | 13.2 | Term loan | 10 half yearly | June 12, 2017 | 110,000 |
| Faysal Bank Limited | 13.2 | Term loan | 16 Quarterly | May 2, 2016 | 49,650 |
| | 13.2 | Term loan | 16 Quarterly | April 28, 2016 | 21,000 |
| | 13.2 | Term loan | 16 Quarterly | May 6, 2016 | 44,900 |
| | 13.2 | Term loan | 16 Quarterly | May 25, 2016 | 38,000 |
| | 13.2 | Term loan | 16 Quarterly | June 6, 2016 | 65,400 |
| | 13.2 | Term loan | 16 Quarterly | June 20, 2016 | 121,555 |
| | | | | | 547,150 |
| Less: Current portion shown under current liabilites | | | | | (110,008) |
| | | | | | 437,142 |

13.2 These loans have been obtained in acquiring imported and local textile machinery. The rate of markup is 2.5% to 3%. These are secured against specific charge on the fixed assets and equitable mortgage over immovable properties.

**14 TRADE AND OTHER PAYABLES**

| | Note | 2017 |
|---|---|---|
| Creditors | 14.1 | 2,669,633 |
| Accrued expenses | | 253,244 |
| Workers' profits participation fund | 14.2 | 129,775 |
| Workers' welfare fund | | 59,919 |
| Advance from customers | | 29,092 |
| Payable to provident fund | | 13,619 |
| Unclaimed dividend | | 1,079 |
| Others | | 22,006 |
| | | 3,178,367 |

**14.1** This include an amount of Rs. 149.58 million payable to related parties.

| | | Note | 2017 |
|---|---|---|---|
| | | | (Rupees in '000) |
| **14.2** | **Workers' profits participation fund (WPPF)** | | |
| | Opening balance | | 213,043 |
| | Interest on WPPF | | 41 |
| | Contribution for the year | | 129,775 |
| | | | 342,859 |
| | Less: Payment during the year | | (213,084) |
| | Closing balance | | 129,775 |
| **15** | **SHORT-TERM BORROWINGS** | | |
| | **From banking Companies** | | |
| | Finacne against import / export | 15.1 | 500,000 |

**15.1** These facilities are subject to markup at the rate from SBP plus 0.5% (2016: Nil) per annum. These arrangements are secured against first pari passu charge over stock in trade, receivable and other current assets of the company.

| | | | |
|---|---|---|---|
| **16** | **ACCRUED MARK-UP** | | |
| | Long term finance | | 3,432 |
| | Short term borrowings - secured | | 1,710 |
| | | | 5,142 |

**17 CONTINGENCIES AND COMMITMENTS**

**17.1 Contingencies**

No contingencies exist as at reporting date.

**17.2 Commitments**

Guarantees issued by commercial banks to Sui Southern Gas Company Limited on behalf of the Holding Company amounting to Rs. 239.41 million.

Guarantees issued by commercial bank to supplier and Central Excise Department on behalf of the Holding Company amounting to Rs. 7.63 million and Rs. 99.52 million respectively.

Guarantees issued by commercial bank to Nazir Court of Sindh high court on behalf of the Holding Company amounting to Rs. 74.18 million for the purpose of Gas Infrastructure Development.





| | | Note | 2017 |
|---|---|---|---|
| | | | (Rupees in '000) |
| **17.3** | - Letters of credit | | 127,702 |
| | - Capital expenditure | | 1,091,563 |
| **18** | **SALES - net** | | |
| | Local | | 223,224 |
| | Export | | 20,519,708 |
| | Export rebate | | 273,691 |
| | | | 21,016,623 |
| | Less: Sales tax | | (7,988) |
| | Less: Marketing fee and others | | (985,408) |
| | | | (993,396) |
| | | | 20,023,227 |
| **19** | **COST OF SALES** | | |
| | Opening stock of finished goods | | 545,215 |
| | Add: cost of goods manufactured | 19.1 | 15,959,383 |
| | | | 16,504,598 |
| | Less: closing stock of finished goods | | (519,463) |
| | | | 15,985,135 |
| **19.1** | **Cost of goods manufactured** | | |
| | Raw material consumed | 19.1.1 & 9.4 | 9,544,078 |
| | Stores consumed | | 2,439,399 |
| | Salaries, wages and other benefits | 19.1.2 | 2,330,652 |
| | Fuel, power and water | | 1,418,124 |
| | Insurance expense | | 21,912 |
| | Repair and maintenance | | 84,503 |
| | Vehicle running expenses | | 11,214 |
| | Communication and transportation | | 43,518 |
| | Rent Expenses | | 105,716 |
| | Other manufacturing expenses | | 34,314 |
| | Amortization of leasehold land improvements | | 25,738 |
| | Depreciation | 4.2 | 503,910 |
| | | | 16,563,078 |
| | Opening work-in-process | | 971,073 |
| | Closing work-in-process | | (1,574,768) |
| | | | 15,959,383 |
| **19.1.1** | **Raw material consumed** | | |
| | Opening stock | | 1,530,681 |
| | Purchases during the year | | 9,556,876 |
| | | | 11,087,557 |
| | Less: closing stock | | (1,543,479) |
| | | | 9,544,078 |

| | Note | 2017 |
|---|---|---|
| | | (Rupees in '000) |

19.1.2 This includes an amount of Rs. 45.89 million in respect of staff retirement benefits.

**20 ADMINISTRATIVE COST**

| | Note | 2017 |
|---|---|---|
| Salaries, wages and benefits | 20.1 | 526,737 |
| Repairs and maintenance | | 21,494 |
| Rent, rates, taxes and liscense fee | | 15,091 |
| Vehicle running expenses | | 23,515 |
| Conveyance and traveling | | 25,815 |
| Utilities | | 14,833 |
| Printing and stationery | | 1,012 |
| Postage, telegram and telephone | | 20,723 |
| Legal and professional | | 17,976 |
| Fees and subscriptions | | 12,516 |
| Amortization | | 8 |
| Depreciation | 4.2 | 44,017 |
| Miscellaneous expenses | | 68,345 |
| | | 792,082 |

20.1 This includes amount of Rs. 22.92 million in respect of staff retirement benefits.

**21 DISTRIBUTION COST**

| | Note | 2017 |
|---|---|---|
| Salaries, wages and benefits | 21.1 | 79,551 |
| Freight and insurance | | 190,788 |
| Inspection and forwarding charges | | 169,197 |
| Showroom and exhibitions | | 17,533 |
| Export development surcharge | | 47,532 |
| Market research | | 2,340 |
| | | 506,941 |

21.1 This includes amount of Rs. 3.54 million in respect of staff retirement benefits.

**22 OTHER OPERATING COST NET OF INCOME**

| | Note | 2017 |
|---|---|---|
| Loss on disposal of property, plant and equipment | | 54,688 |
| Auditors' remuneration | 22.1 | 1,238 |
| Workers' profit participation fund | | 129,775 |
| Workers' welfare fund | | 16,019 |
| Donations | 22.2 | 15,763 |
| | | 217,483 |

**22.1 AUDITORS' REMUNERATION**

| | Note | 2017 |
|---|---|---|
| Audit fee | | 938 |
| Half yearly review | | 200 |
| Other certification | | 100 |
| | | 1,238 |

22.2 None of the directors and their spouses had any interest in these donations.



Feroze1888 Mills Limited

**23 FINANCE COST**

| | Note | 2017 (Rupees in '000) |
|---|---|---|
| Mark-up on | | |
| - Long term finance | | 13,352 |
| - Short term borrowings | 23.1 | 2,347 |
| - WPPF | | 41 |
| | | 15,740 |
| Bank charges | | 39,298 |
| Exchange loss | | 16,993 |
| | | 72,031 |

23.1 This represents markup paid on short term borrowings facilities and export re-finance facility of Rs. 5.489 million which was secured by pari passu ranking hypothecation charge over stores and spares, stock-in-trade and trade debts amounting to Rs.8,490 million of the Holding Company. The rate of mark-up for running / short term finance is 3 months KIBOR + 0.5% to 2% per annum. The rate of mark-up for export re-finance is SBP rate + 0.25% per annum.

**24 TAXATION**

| | Note | 2017 |
|---|---|---|
| **Current** | | |
| Expense | | 240,595 |
| Tax Credit (65B) | 24.1 | (109,830) |
| | | 130,765 |
| Prior year | 24.2 | (170,742) |
| | | (39,977) |

24.1 The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.

24.2 This represent tax credit under section 65B relating to the tax year 2014 (46.98 million), 2015 (68.24 million) and 2016 (58.14 million), which has been determine after deemed assesment were amended under section 122 (for the tax year 2015 and 2016), However for the tax year (2014), said assesment is awaited. The said assesment has been passed subsequent to balance sheet date and accordingly recognised against current year's tax.

24.3 The Finance Act, 2017 states under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute dividend in the form of cash or bonus shares within due date of the end if the year, will be liable to pay tax at the rate of 7.5% of its profit before tax for the said period. However, this tax on undistributed profits is not applicable to a public company which distributes profit equal to 40 percent of its after tax profits, within said due date of the end of the tax year.

In terms of 5A in case it distributes cash or bonus dividend amounting to Rs. 619.076 million within due date mention above of the close of the year it would not be liable to any tax under section 5A. The company has already paid interim dividend amounting to Rs. 376.801 million of the profit after tax for the year. The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above, and liability if any in this respect would be recognized as of December 31, 2017 depending upon the dividend distributed out of profit for the year ended June 30, 2017.

**25 EARNINGS PER SHARE - BASIC AND DILUTED**

**25.1 Earning per share-basic**

| | Note | 2017 (Rupees in '000) |
|---|---|---|
| Profit after taxation | | 2,489,532 |
| | | (Number) |
| Weighted average number of ordinary shares | | 376,800,968 |
| | | (Rupees) |
| Earnings per share-basic | | 6.61 |

**25.2 Earnings per share-diluted**

There is no dilution effect on the shares of the Group.

**26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| Particulars | 2017 | | | |
|---|---|---|---|---|
| | Chief Executive | Directors | Executives | Total |
| | (Rupees in '000) | | | |
| Meeting Fees | – | 6,770 | – | 6,700 |
| Managerial | – | – | | |
| Remuneration | 14,715 | – | 479,233 | 493,948 |
| Bonus | 948 | – | 28,036 | 28,984 |
| Retirement | | | | |
| benefits | 1,026 | – | 27,874 | 28,900 |
| | 16,689 | 6,770 | 535,143 | 558,602 |
| No of persons | 1 | – | 261 | 262 |

**26.1** The Chief Executive, directors and certain executives are provided with the Group's maintained cars.

**26.2** The meeting fees has been paid to non executive directors only.

**27 PROVIDENT FUND DISCLOSURES**

| | |
|---|---|
| Size of the fund | **609,656** |
| Cost of investment made | **545,777** |
| Percentage of investment made | **89.5%** |
| Fair value of investment | **559,107** |

| **Break up of investment - at fair value** | 2017 Rs. in 000's | 2017 % |
|---|---|---|
| - Shares in listed Companies | – | – |
| - Mutual fund | **152,549** | 27.3 |
| - Investment in fixed deposits | **356,223** | 63.7 |
| - Sukuk & Ijara Certificates | **50,335** | 9.0 |
| | **559,107** | |

**27.1** The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.





**28 WORKING CAPITAL CHANGE**

| | Note | 2017 (Rupees in '000) |
|---|---|---|
| (Increase) / decrease in current assets | | |
| Stores and spares | | **69,389** |
| Stock-in-trade | | **(590,741)** |
| Trade debts - considered good | | **(1,571,562)** |
| Advances, prepayments and other receivables | | **(251,940)** |
| | | **(2,344,854)** |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | | **951,075** |
| | | **(1,393,779)** |

**29 Cash and Cash Equivalents**

| | | |
|---|---|---|
| Cash and bank Balance | 10 | **93,730** |
| Short term borrowings | 15 | **(500,000)** |
| | | **(406,270)** |

**30 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of group companies, directors and their close family members, major shareholders of the Group, key management personnel and staff provident fund. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note to the financial statements. Transactions with related parties and balances outstanding at the year end, other than those disclosed elsewhere in the financial statements are given below:

| **Nature of transactions** | **Relationship** | 2017 (Rupees in '000) |
|---|---|---|
| Sales | Associate | **935,465** |
| Purchases | Associate | **20,653** |
| Manufacturing and other expenses | Associate | **1,063,857** |
| **Balances** | | |
| (Payable) | Associate | **(122,850)** |

**31 PRODUCTION CAPACITY IN METRES**

| **Towel** | **Looms** | **Capacity** | **Actual** |
|---|---|---|---|
| **2017** | **307** | **111,237,319** | **104,218,395** |

**31.1** Actual production achieved is lower than the capacity due to change in product mix caused by orders.

**32 FINANCIAL INSTRUMENTS**

**Financial risk management objectives and policies**

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

### 32.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Group's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Group applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

| | 2017<br>(Rupees in '000) |
|---|---|
| Long term investment | 618 |
| Long term deposits | 7,093 |
| Trade debts | 4,354,193 |
| Advances and other receivables | 1,403,400 |
| Bank balances | 91,337 |
| | 5,856,641 |

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

| | |
|---|---|
| Domestic | 11,287 |
| United States | 4,081,813 |
| Gulf states | 7,754 |
| European countries | 113,791 |
| Other regions | 139,548 |
| | 4,354,193 |

**Impairment losses**

The aging of trade debts at the balance sheet date was:

| | |
|---|---|
| Not past due | 3,682,171 |
| Past due 1-60 days | 672,008 |
| Past due 61 days -90 days | 9 |
| More than 90 days | 5 |
| | 4,354,193 |





Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above.

Based on past experience, consideration of financial position, past track records and recoveries, the Group believes that trade debts past due upto one year do not require any impairment except as provided in these financial statements, if any. None of the other financial assets are either past due or impaired.

The credit quality of Group's liquid funds is high since the counter parties are banks with reasonable external credit ratings.

### 32.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group'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 damage to the Group's reputation.

On the reporting date, the Group has cash and bank balances and unutilised credit lines of Rs. 92.93 million and Rs. 5,990 million.

The following are the contractual maturities of financial liabilities, including interest payments:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Twelve months or less | Two to five years | More than five years |
| | | | (Rupees in '000) | | |
| **Non-derivates** | | | | | |
| **Financial libilities** | | | | | |
| Long term financing including accrued mark - up | 553,432 | (609,532) | 123,890 | 485,642 | – |
| Short term borrowings including accrued mark - up | 501,710 | (501,710) | 501,710 | – | – |
| Trade and other payables | 2,988,673 | (2,988,148) | 2,988,148 | – | – |
| | 4,043,815 | (4,099,390) | 3,613,748 | 485,642 | – |

### 32.3 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 Group is exposed to currency risk and interest rate risk.

#### 32.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

**Exposure to currency risk**

The Group is exposed to currency risk on trade debts, sales, trade payables and purchases that are denominated in a currency other than the respective functional currency of the Group. The currencies in which these transactions are denominated is the US Dollars and Euros.

The Group's exposure to foreign currency risk is as follows:

| | 2017 |
|---|---|
| | USD |
| Trade debts | 41,470 |
| Trade payable | (2,373) |
| | 39,097 |

The following significant exchange rates have been applied:

| 2017 USD to PKR | | | |
|---|---|---|---|
| Reporting date rate | | Average rate | |
| buying 106.40 | selling 106.70 | buying 104.55 | selling 104.75 |

**Sensitivity Analysis**

A 10 percent strengthening / weakening of the PKR against USD and PKR against Euro at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2017 |
|---|---|
| | (Rupees in '000) |
| **Effect on profit** | |
| USD 10% | (417,165) |
| | – |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and assets and liabilities of the Group.

**32.3.2 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 exposure arises from short and long term borrowings from banks . At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

| | Carrying amount |
|---|---|
| | 2017 |
| | (Rupees in '000) |
| **Financial liabilities** | |
| Long term finance | 547,150 |



Feroze1888 Mills Limited

**Fair value sensitivity analysis for fixed rate instruments**

The Group 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.

**32.3.3 Fair value of financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**32.3.4 Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

**33 OPERATING SEGMENTS**

These financial statements have been prepared on the basis of a single reportable segment.

- Revenue from export sales represents 99.55% of the total gross revenue of the Group.
- All non-current assets of the Group at 30 June 2017 are located in Pakistan.
- The amount of revenue from customers having sales of more than 10% of total sales amounting to Rs. 12,718 million, excluding sales tax and Federal Excise Duty, during the year ended 30 June 2017. The major customers are outside from Pakistan.

**34 NON ADJUSTING EVENT**

The Board of Directors in its meeting held on September 26, 2017 has proposed a cash dividend in respect of the year ended June 30, 2017 of Rs 1.70 per share for all shareholders amounting to Rs.640,561,646 for all shareholders of the Group, for approval of the members at the Annual General Meeting to be held on October 26, 2017. These financial statements do not include the effect of this proposed cash dividend which will be accounted for in the financial statements for the year ending June 30, 2018.

**35 NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

| | 2017 (Number) |
|---|---|
| Total number of employees as at June 30 | 3,100 |
| Average number of employees during the year | 3,067 |

**36 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorised for issue on September 26, 2017 by the Board of Directors of the Group.

**37 GENERAL**

All figures in the consolidated financial statements are rounded off to the nearest thousand.

| **Khaleequr Rahman** | **Rehan Rahman** | **Imran Tola** |
|---|---|---|
| Director | Chief Executive | Chief Financial Officer |



## Feroze1888 Mills Limited

### PROXY FORM

I/We, ______________________________

of ______________________________

Being a member of **FEROZE1888 MILLS LIMITED** holding ______________________________

Ordinary shares as per Share Register Folio No, ______________ and/or CDC

Participant I.D. No. ______________ and Account/Sub Account No. ______________

hereby appoint ______________ of ______________

or failing him/her ______________________________

as my/our Proxy to vote for me and on my/our behalf at the 45th **Annual General Meeting** of the Company to be held at B-4/A, SITE, Karachi on Thursday, 26th October, 2017 at 09.30 a.m. and at any adjournment thereof.

| | |
|---|---|
| Signature of Member : | Signature on Revenue Stamp of Rs. 5/- |
| Name of Member : | |
| Folio No./CDC No. : | |

**WITNESSES:**

| 1. | 2. |
|---|---|
| Signature | Signature |
| Name | Name |
| Address | Address |
| CNIC/Passport No. | CNIC/Passport No. |

**Note :**

- A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy should be a member of the Company.
- If a member is unable to attend the meeting, he/she/they may complete and sign this form and send it to the Company Secretary at the Registered Office so as to reach not less than 48 hours before the time appointed for holding the meeting.
- For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met:

(i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be stated on the form.

(ii) Attested copies of NIC or the passport of the beneficial owner(s) and the proxy shall be proved with the proxy form.

(iii) The proxy shall produce his/her NIC or original passport at the time of the meeting.

(iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

## Feroze1888 Mills Limited

کمپنی سیکریٹری

فیروز ۱۸۸۸ ملز لمیٹڈ

کراچی

### پراکسی فارم

میں/ ہم ______________________________

ساکن ______________________________

بحیثیت ممبر (ز) فیروز ۱۸۸۸ ملز لمیٹڈ اور حق ملکیت رکھتے ہوئے ______________

عمومی شیئرز جس کا اندراج رجسٹر فولیو نمبر ______________ اور ذیلی اکاؤنٹ نمبر ______________ اپنی جانب سے نامزد کرتا ہوں

______________________________ کو

ساکن سے ______________________________

اور ان کے نہ جانے پر مسمی/ مسماۃ ______________________________

ساکن ______________ بطور پراکسی مقرر کرنا/ کرتے ہیں تا کہ وہ میری/ ہماری جگہ اور میری/ ہماری طرف سے کمپنی کے 45ویں سالانہ عام اجلاس بمقام رجسٹرڈ آفس B-4/A, SITE, Karachi 26 اکتوبر 2017 بوقت 09:30 بجے منعقد ہو رہا ہے، اس میں یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

بطور میرے/ ہمارے گواہ ______________ کو بتاریخ ______________ 2017

کو مندرجہ بالا کے لیے نامزد کیا گیا ہے ______________ موجودگی میں

دستخط ______________

(دستخط کا کمپنی میں رجسٹرڈ نمونے سے مماثلت رکھنا ضروری ہے)

درست رقم کا ٹکٹ
چسپاں کریں
دستخط

| (گواہ) | (گواہ) |
|---|---|
| دستخط ______________ | دستخط ______________ |
| نام ______________ | نام ______________ |
| پتہ ______________ | پتہ ______________ |
| شناختی کارڈ نمبر ______________ | شناختی کارڈ نمبر ______________ |
| پاسپورٹ نمبر ______________ | پاسپورٹ نمبر ______________ |

نوٹ :

- پراکسیز کے مؤثر ہونے کے لیے لازمی ہے کہ وہ کمپنی کے رجسٹرڈ آفس یا شیئر رجسٹرار کو مہر شدہ اور دستخط کے ساتھ اجلاس سے کم از کم 48 گھنٹے قبول موصول ہو جائیں۔
- سی ڈی سی شیئر ہولڈرز اور ان کی پراکسیز سے درخواست کی جاتی ہے کہ کمپنی کو جمع کروانے سے قبل اس پراکسی فارم کے ساتھ اپنا کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی نقل جمع کروائیں۔