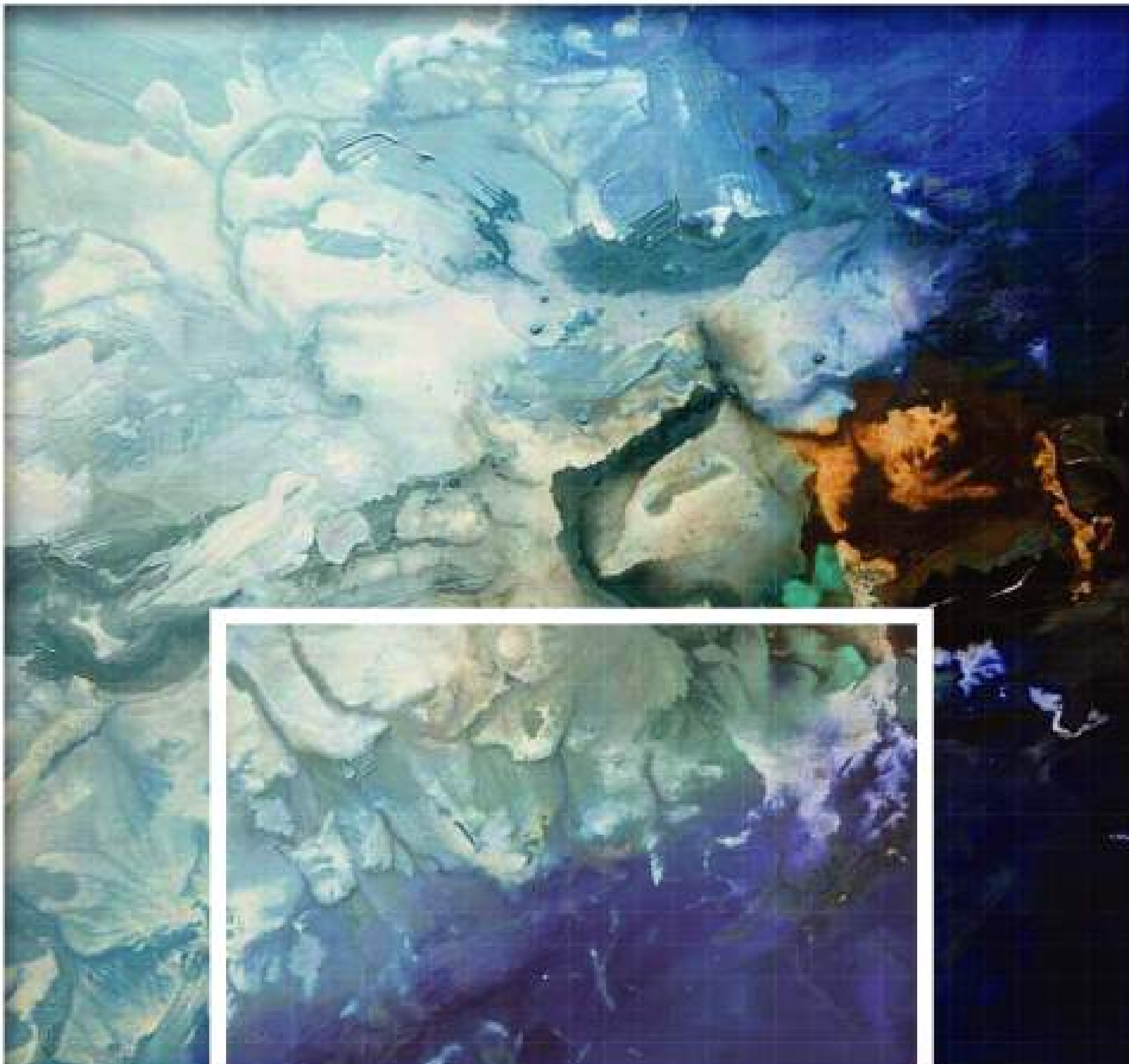
# Feroze1888 Mills Limited

Manufacturers & Exporters of Specialized Yarn & Textile Terry Products



ANNUAL REPORT 2019

# UNLOCKING

KEYS OF OUR

# POTENTIAL

# UNLOCKING

## KEYS OF OUR
# POTENTIAL

The will to WIN
The desire to SUCCEED
The urge to reach the full POTENTIAL
These are the KEYS that UNLOCK
The Door to EXCELLENCE
And The height of our POTENTIAL is
determined by the depth of our
SPIRIT

# CONTENTS

## Striving for Excellence in Corporate Reporting

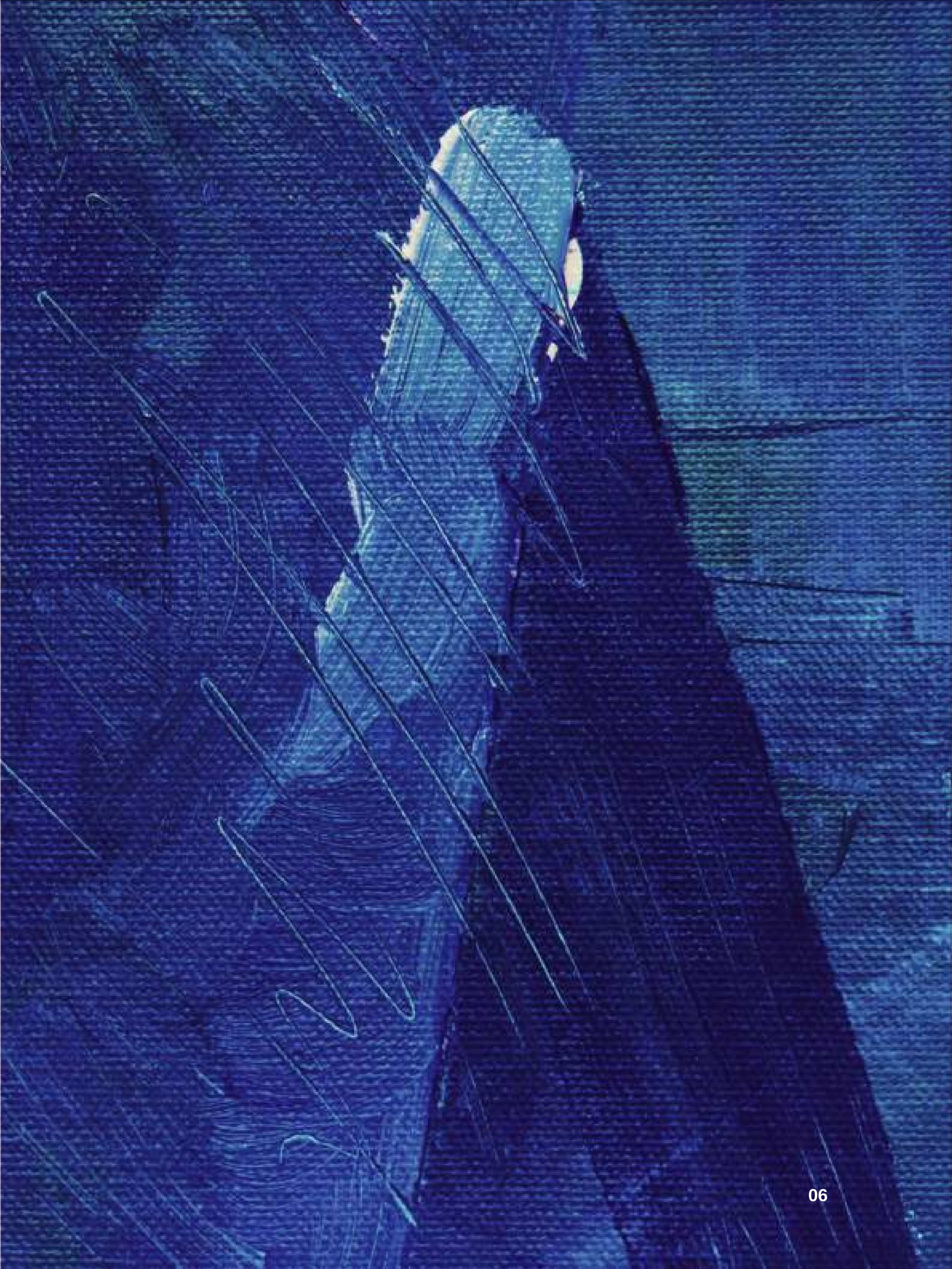


## Company Overview and External Environment



## Strategy and Recourse Allocation

CONTENTS



# Adoption and Statement of Adherence with the International Integrated Reporting Framework (IIRF)

Feroze1888 is working with a strategy for generating value creation for the organization and its stakeholders. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is Company's core strengths. For users of this information, it is imperative to ensure, that the material is presented in such a way that it enables the stakeholders to better understand these activities. It also assures that the Company concisely reports material information depicting how well it is performing in non-financial dimensions that affect the quality of the Company's formulated strategy and its execution. The Company has adopted the Integrated Reporting Framework to give an overview of Company's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Company is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly.

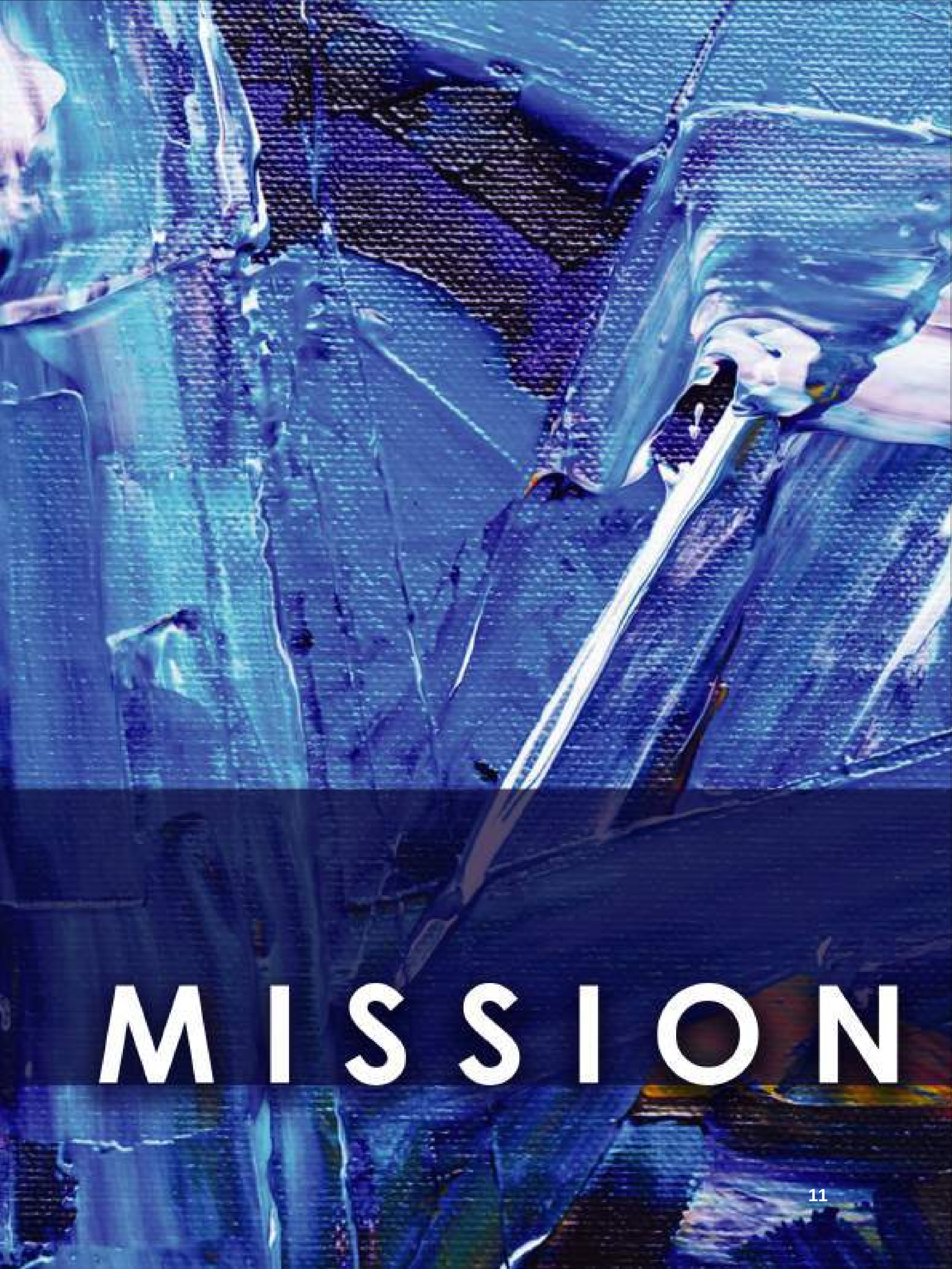
It is part of our strategy to develop and execute the projects to generate value for the organization and its stakeholders. Integration of financial, social and environmental information is one of the most effective way for an organization to report its performance and activities and to demonstrate, to the market and society, the importance of linking sustainability issues to business strategies.

Feroze1888 is in the process of adopting and adhering to the International Integrated Reporting Framework (IIRF) and strives to follow the best corporate governance practices. The framework requires a strong commitment by the Company management which is ultimately responsible for the message the Company is delivering to all of its stakeholders. The reporting is being monitored and it is ensured that the relevant information is shared in the most suited way for the stakeholders of the Company. Connectivity of the information is another aspect which needs to be addressed properly. Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures. Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity and is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report. Initially, the Company has included following content elements for the users of this report:

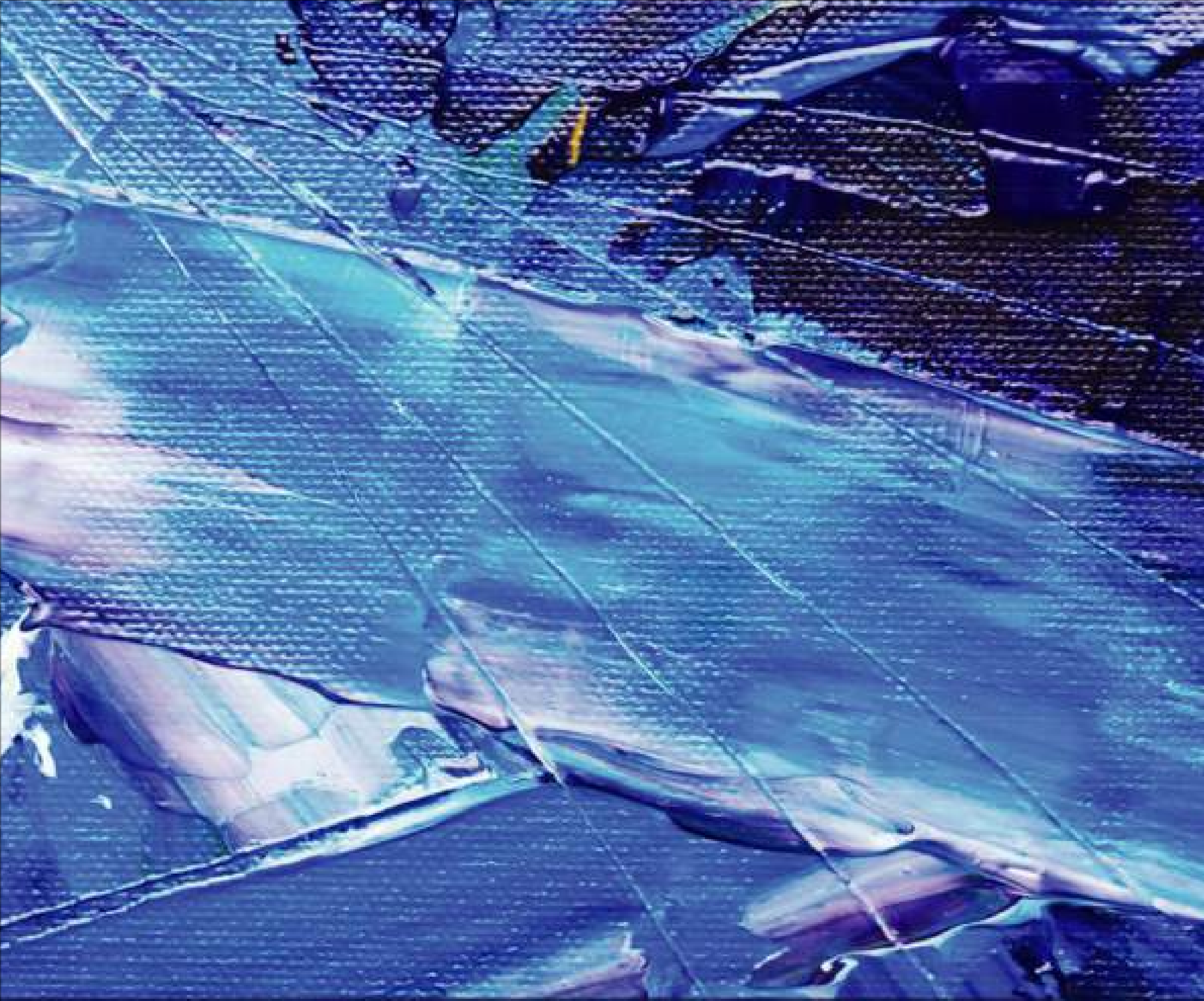
- Company overview and external environment
- Strategy and resource allocation
- Risks and opportunities Outlook
- Corporate Social Responsibility and Sustainability
- Governance
- Performance and position
- Corporate Reporting

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

# VISION



# MISSION



We are a leading vertically integrated industry known for its state of the art machinery, infrastructure, standardized systems, production processes and adopting the 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.

# VALUES

## People Development

We are commited to invest in employees personal and professional development and creating an environment that instigate the ownership for self learning.

## Respect

We believe in crafting a culture of respect and dignity for all our customers, stakeholders, vendors, employees and community.

## Ownership & Accountability

Our work is our pride: we take full ownership of it and hold ourselves accountable for all our actions, interactions within and between teams.

## Success Will

We possess a strong will to succeed under all circumstances.

## Proactive

We believe in being proactive while facing challenges, adopting technology, systems and procedures.

## Excellence in Work

Our commitment is to enhance customer satisfaction by fostering an environment of self-reliance, efficiency and integrity in all that we do.

## Reliability

We demonstrate reliability through our team work and consistent quality in products and services.

# CULTURE AND ETHICS

# ETHICS

Integrity and upholding our commitments are at the heart of Feroze1888 business values. Our standards for doing business are based on transparency, impartiality and exhibiting thorough professionalism in our dealings with internal and external stakeholders. The management of Feroze1888 condemns fraudulent practices and focus on developing teams and systems to work as per the established business ethics. The organization is known for its reputation for doing business as per defined ethical boundaries and for not tolerating any kind of misconduct that can hamper the repute. These principles are embedded in organization's code of conduct and further reinforced by the prevailing policies.

# CULTURE

The cultural framework of any organization defines the Company's vision and the guidelines it has established to achieve that vision.

Our core values Prosper® drive our energies and focus in building a value driven work culture. We believe in developing our valuable employees, enabling them to deliver their optimal best; helping them collaborate with each other for reliable results and a win – win situation, and instigating a never give up attitude with a consistent reinforcement of being proactive in dealing with all situations. We promote dynamic and creative lateral thinking and have complete trust in our employees' skills to achieve the goals. Diversity is our strength and we take pride in our culture of meeting high standards of professionalism and excellence and deliver nothing less but the best.

# CODE OF CONDUCT

## BUSINESS ETHICS

Feroze1888 is committed to conduct its business in an honest, ethical and legal manner. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work.

## COMPLIANCE WITH THE LAWS AND REGULATIONS

The Company is committed to comply, and take all reasonable actions for compliance, with all applicable laws, rules and regulations of state or local jurisdiction in which the Company conducts business. Every director and employee, no matter what position he or she holds, is responsible for ensuring compliance with applicable laws.

## COMMITMENT & ACCOUNTABILITY - SAFEGUARDING ORGANIZATION'S INTEREST

It is expected from every employee that he/she will remain honest & committed with his/her work at all times. Employee is not only expected to own the entire process of the working but also uphold the true spirit of accountability; in that, protecting the company's assets, safeguarding the company's interest, avoiding conflict of interest & ensuring that we do not involve in any unlawful

activity even after office hours that may ruin the organization's reputation is emphasized.
Spreading grapevine/rumors, exchanging or sharing any information within in the organization or outside either by word of mouth, email, text message or social media; which may create chaos, suspicions & portray the organization in a bad light are all deemed as breach of commitment & confidentiality.

## ZERO TOLERANCE FOR HARASSMENT

Harassment in any form including verbal / emotional (e.g. making or using derogatory comments, name calling, racial jokes etc), physical (e.g. assault, impeding, blocking movements etc) sexual (e.g. touching, leering, making inappropriate gestures, displaying of sexually suggestive objects or pictures, cartoons or posters, sharing sexual jokes etc) is strictly prohibited.

## GIFT & ENTERTAINMENT POLICY

Gifts / entertainment gratitude of any kind, that are offered by vendors, suppliers, current & potential employees, potential vendors and suppliers, or any other individual or organization, irrespective of the value will not be accepted by any employee, at any time, on or off the work premises as a result of providing / receiving any favor (whether justified or unjustified) from any entity.

## CONFIDENTIALITY OF INFORMATION

It is the responsibility of every employee to maintain confidentiality of information (during and after the employment term) related to Feroze1888 Mills that he may come across in any form as a result of his position or interactions. He / she should refrain from discussing any confidential business matters to outsiders or even insiders to whom the matter do not relates.

## INTELLECTUAL PROPERTY

All employees are responsible and accountable for the corporate information & resources entrusted to them. Due diligence & care must be exercised to ensure the security & integrity of these corporate resources.

## NON DISCRIMINATION

The Company believes in creating a encouraging working environment which is free from discrimination for employees. The Company also ensures that employees remain motivated and productive through the provision of equal growth opportunity.

## EQUAL EMPLOYMENT OPPORTUNITY

The Company believes in providing equal opportunity to everyone around. The Company policies have to be complied with and no discrimination upon race, religion, age, national origin, gender, or disability is acceptable.

## CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to carry out its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.

# Company Information

**Board of Directors:**

| | |
|---|---|
| Mr. Jonathan R. Simon | Director / Chairman |
| Mr. Khaleequr Rahman | Director |
| Mr. Shabbir Ahmed | Director |
| Mr. Perwez Ahmed | Director |
| Mr. Nasim Hyder | Director |
| Ms. Huma Pasha | Director |
| Mr. Asim Shabbir Patka | Director |
| Mr. Usama Rehman | Director |
| Mr. Rehan Rahman | Chief Executive Officer |

**Board Audit Committee:**

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

**Board HR & Remuneration Committee:**

| | |
|---|---|
| Ms. Huma Pasha | Chairperson |
| Mr. Shabbir Ahmed | Member |
| Mr. Nasim Hyder | Member |

**Chief Financial Officer:**

Mr. Muhammd Faheem

**Company Secretary:**

Mr. Muhammad Usama Siddiqui

**Banker:**

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

**Auditors:**

E Y Ford Rhodes,Chartered Accountants
Progressive Plaza, Beaumount Road,
Karachi

**Legal Advisor:**

Mohsin Tayebaly & Co 1st Floor, Dime centre
BC-4, Block-9, Kehkashan, Clifton Karachi

**Office Building:**

K&N Centre, 160 BangloreTown,
Shara-e-Faisal,Karachi

**Factory**

**Sindh**

Plot # H-23/4-A and H-23-/4-B, Scheme
# 3,Landhi Industrial Area, Landhi, Karachi

B-4/A, SITE, Karachi
Plot # A-5, SITE, Karachi.
Plot # C-3, SITE, Karachi.
Plot # C-31 SITE, Karachi
Plot # F-89, SITE, Karachi
Plot # F-125, SITE, Karachi
Plot # F-342, SITE, Karachi
Plot # D-202, SITE, Karachi
Plot # 342/A, Haroonabad,
SITE, Karachi
Survey # 81, 242, 72 to 75, 165, 166, 171, 172,
176 to 181, 186 to 190, N.C # 92, 156, 210,
211, 243, Deh Moachko, Tapo Gabopat,
Keamari Town, Karachi

**Balochistan**

Plot# D-12 to D-17, K-1 to K-3, M-34, HITE,
all in MauzaPathra, Tehsil Hub, Distirct
Lasbela, Balochistan

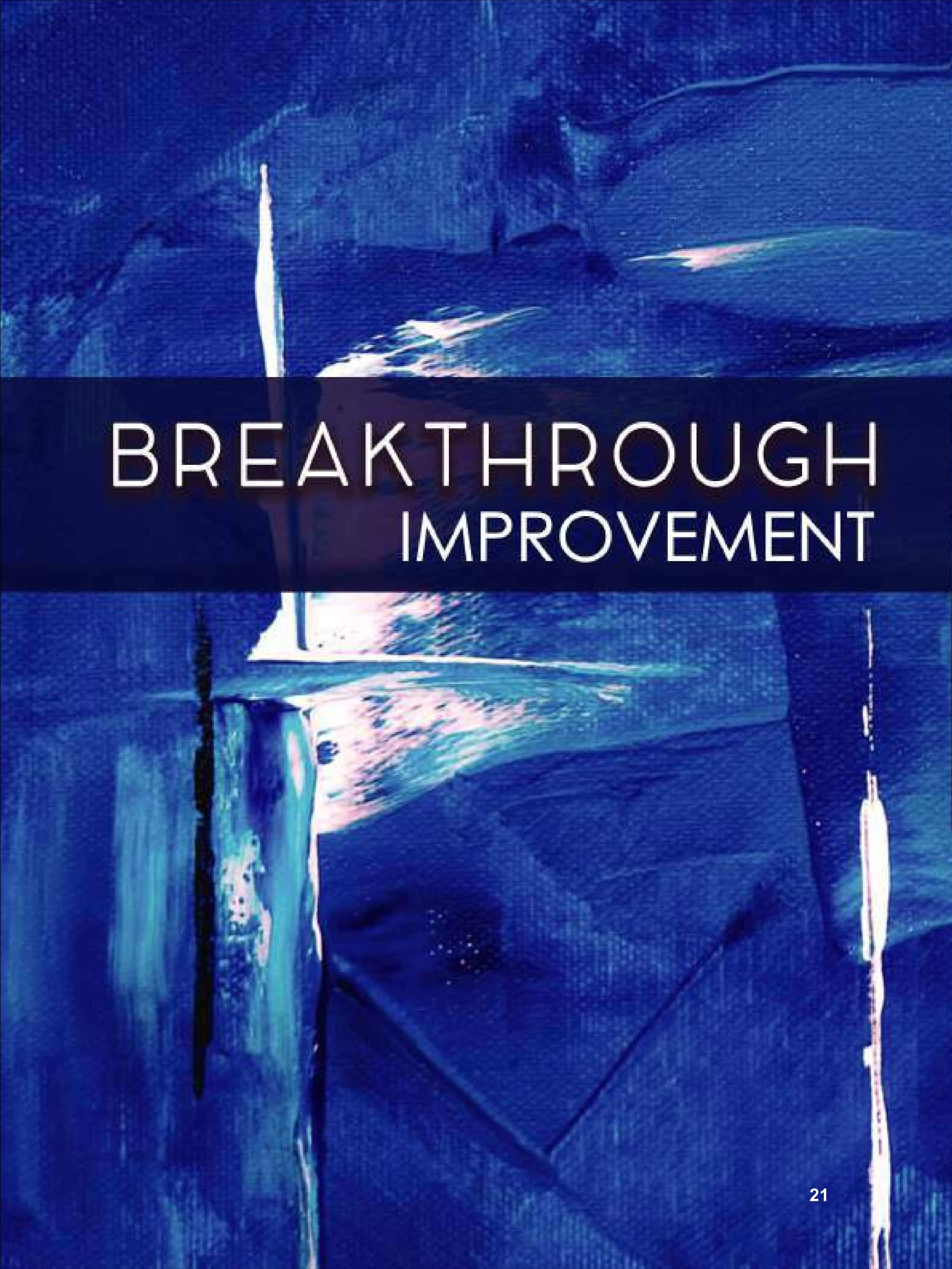
**Share Registrar:**

FAMCO Associates (Pvt.)Ltd 8-F,
Next to Hotel Faran Nursery,Block
6 PECHS, Shahrah-e-Faisal Karachi

**Website**

www.feroze1888.com

# BREAKTHROUGH IMPROVEMENT



Organizations aspire to move on the next level by setting certain success factors that enables them to stay focused and mitigate all risk factors, that can lead to business sustainability and progress. Feroze1888 Mills aspires to moves on next level by focusing on Business Growth, Operational Excellence, Customers Intimacy, HCM & People Development and Employee Branding.

# FEROZE1888 AT A GLANCE

We are the leading Manufacturer and Exporter of Specialized Yarn & Textile Terry Products in Pakistan. Starting the journey in early 1970, Feroze1888 has progressed gradually & today it enjoys an eminent presence among all. We maintain high sets of standards in all areas, ranging from the highest quality products to maximum employee satisfaction. Company has state of the art vertically integrated terry towel manufacturing facility. Being partnered with 1888 Mills (USA) , we are recognized as a Progressive and global manufacturer of quality textiles for Home, Hospitality & Healthcare.

The ownership of upholding commitment to Triple Bottom Line, People - Planet - Prosperity (3Ps), untiring focus on operational excellence and creating unmatchable values of our products and services for our customers is what makes us stand tall amongst other competitors in the market. Feroze1888 believes in providing a professional work environment with tremendous growth opportunities at all levels.

## Our Commitments:

- Environmental Friendly Production Processes
- Product Quality
- Conducive Work Environment
- Employee Engagement & Empowerment

## Our Moto:

- Excellent Execution Every time
- Customer Satisfaction

## OWNERSHIP STRUCTURE:

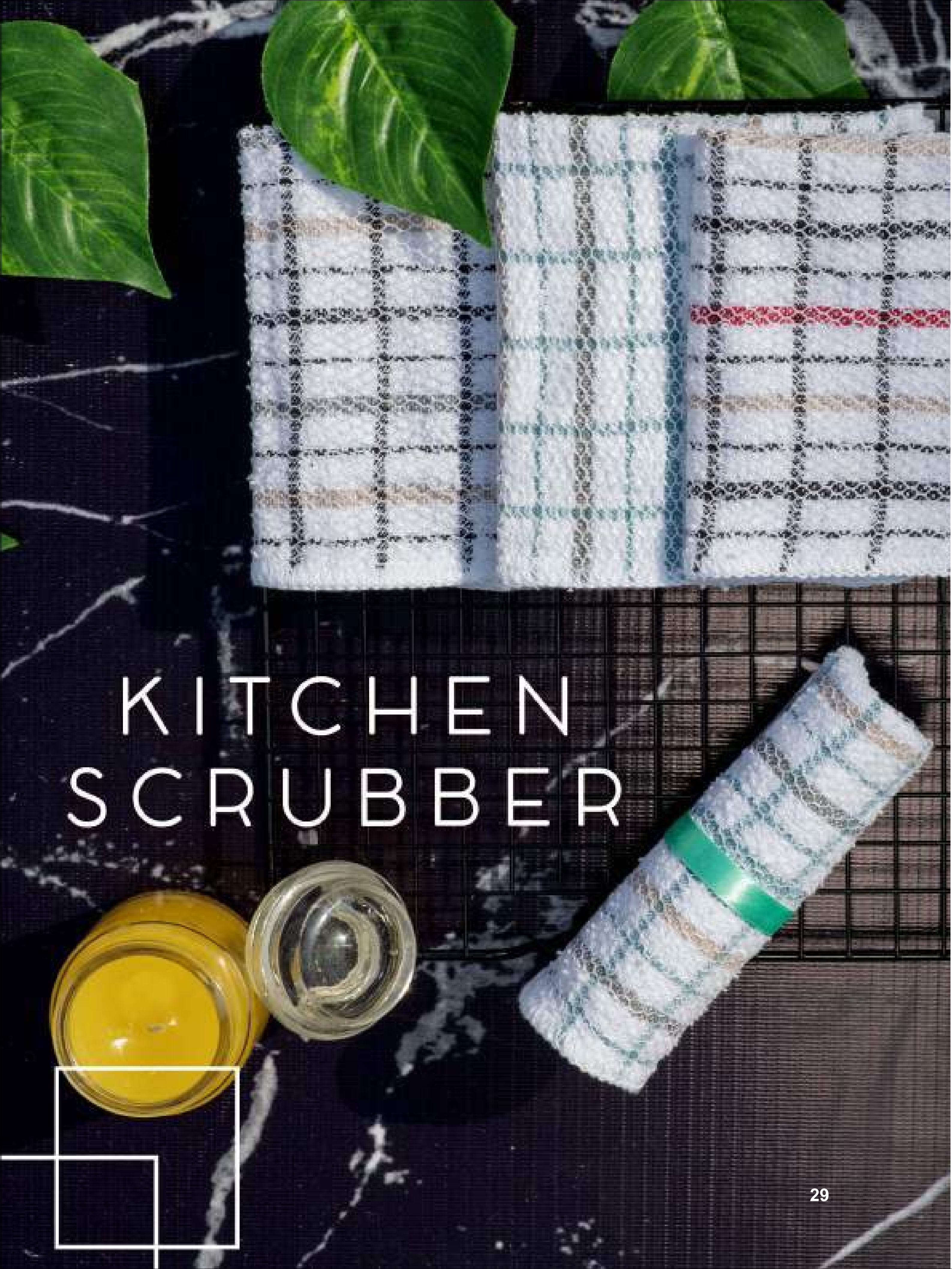
Feroze1888 Mills Limited (the Company) was incorporated in Pakistan in October 1972. Its a public listed Company and the shares of the Company are quoted on Pakistan Stock Exchange Limited. 1888 Mills (USA) and Grangeford Limited are the associated companies of Feroze1888 based on the common directorship and shareholding above 10% in the Company respectively. The only subsidiary of Feroze1888, i.e. Xublimity (Private) Limited with 76% shareholding, has been dissolved during the year. The voluntarily winding up legal formalities and filing requirements as required under the Companies Act, 2017 were fulfilled on March 29, 2019. The same has been acknowledged and registered by SECP through letter dated April 18, 2019 and subsidiary company, Xublimity (Private) Limited, shall stand dissolved after 90 days of the said letter.

## KEY PRODUCTS AND MARKETS

The Company is principally engaged in production and export of terry products. The key export markets are the USA, Europe, Asia, Africa and Australia. Feroze1888 deals in wide range of terry products starting from the white, dyed, printed, dobby and jacquard available in every possible size and category consisting of hand towel, bath towel, bath robe, kitchen towel and beach towel.

# PRODUCT GLIMPSES

# PONCHOS



# KITCHEN SCRUBBER

# PRINTED TOWELS

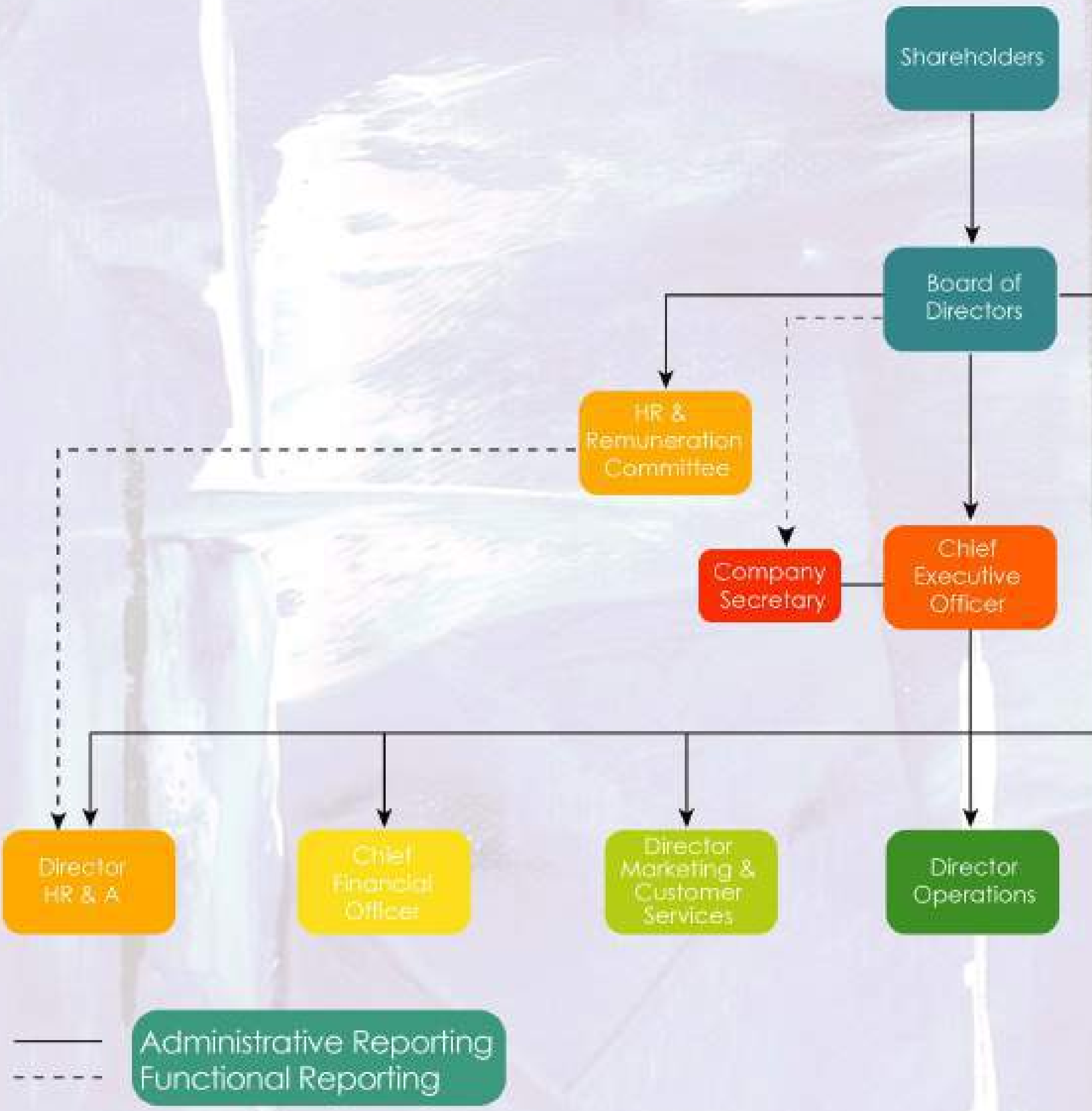
# SHAPE BEACH TOWEL

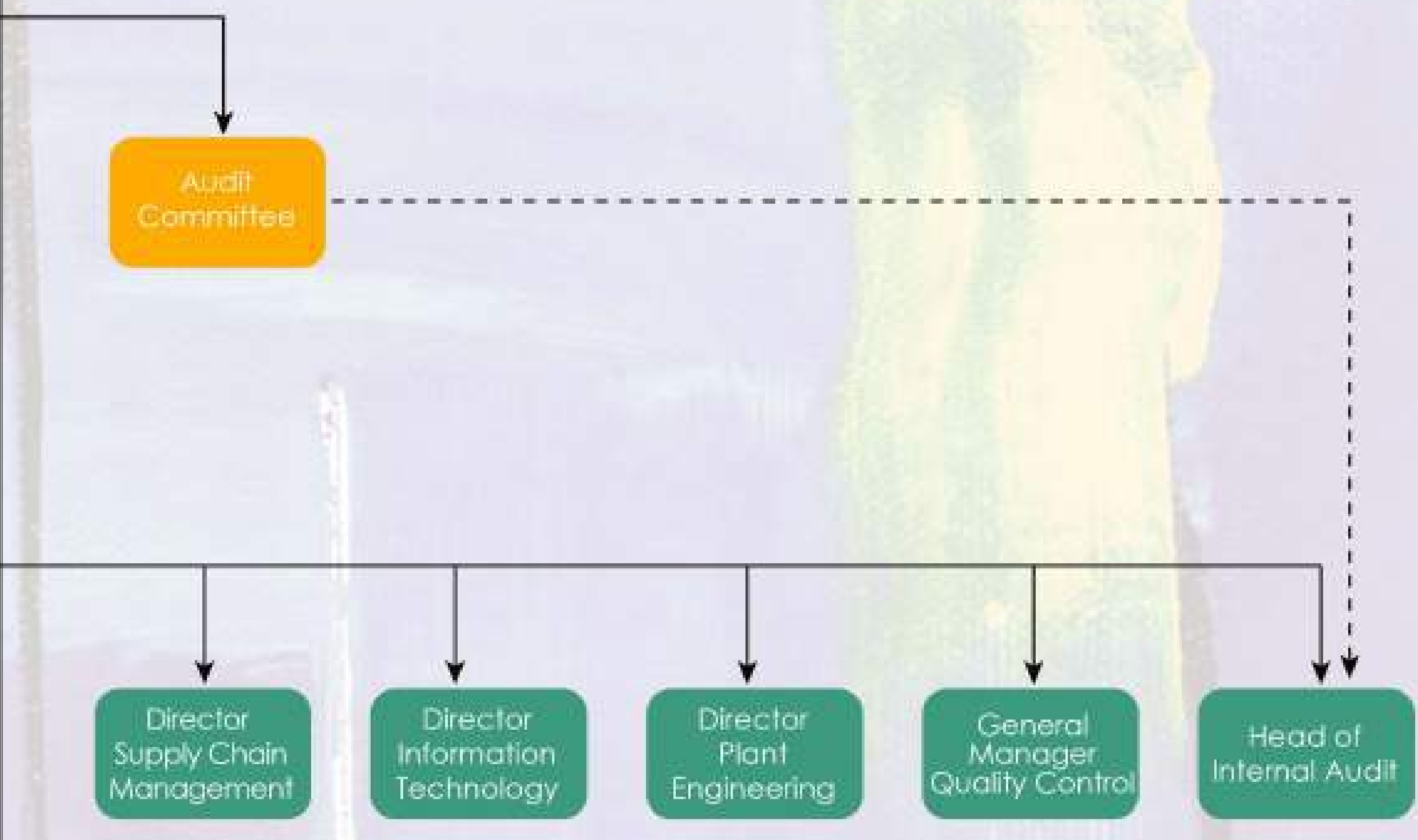
# Export Destination

- Australia
- Canada
- Japan
- Denmark
- Germany

- South Africa
- Poland
- United Kingdom
- Saudi Arabia
- United States

# ORGANIZATIONAL CHART




Audit Committee
Director Supply Chain Management
Director Information Technology
Director Plant Engineering
General Manager Quality Control
Head of Internal Audit

# Journey of Success

1972: Weaving Unit

1980: Stitching Unit

1985: Spinning Unit

1996: Dyeing And Procesing Unit

2006: Warehouse

2007: Merger of Feroze Textiles Industries and Friendship Textile Mills

2008: Waste Water Treatment Plant

2008: Fiber Dyeing Facility

2009: Acquisition of Naqshbandi Industries Limited

2010: Nakhshbandi Name Changed to Feroze1888

2012: Merger of Feroze Textile Industries and Feroze 1888

2014: Printing Facility

2016: Waste Water Reclaim Plant

2018: Packaging Plant

# Awards and Achievements

**2004**

American Hotel Vendor of the year

**2006**

American Hotel Vendor of the year

**2007**

Dollar General Home Deviation top vendor of the year

Walmart vendor of the third quarter

American hotel vendor of the year

**2008**

Walmart Supplier of the Year (Home Division)

American Hotel vendor of the year

**2009**

American Hotel Vendor of the year

**2010**

Walmart Excellence in Execution Award

American hotel Vendor of the year

**2011**

ASDA Supplier of the year

Target Vendor of the Excellence

American hotel Vendor of the year

**2012**

ASDA supplier of the year

Wal-Mart supplier of the year

**2013**

Marriot International Diversity and Inclusion Award

Wal-Mart supplier of the year award

AHR Outstanding Supplier Partner of the year

**2014**

AHR Supplier of the year

Fire and Safety Award

2015

Fire and Safety Award

2016

FPPCI Best Exporter Performance Award in Home Textile (Cotton Textile)

2016

Wal-Mart Global Warming Award, Appreciated for seamless development and execution of beach printed program 2017

2016

Environment Excellence Award

Fire and Safety Award

2017

FPPCI Best Exporter Performance Award in Home Textile (Cotton Textile)

2017

Corporate Social Responsibiltiy Award (CSR)

Environment Excellence Award

Fire and Safety Award

2018

Corporate Excellence Award by Management association of Pakistan

ASDA Trust of the year Award

Family Dollar Supplier of the Year Award

2018

AHR Supplier of the Year

FPPCI Best Exporter Performance Award in Home Textile (Cotton Textile)

Wal-mart Supplier of the Year Award

Dibella Best Supplier Award

# Certifications

Since 2000

| | |
|---|---|
| ISO 9001-2015 | Quality Management System (QMS) |

Since 2006

| | |
|---|---|
| Oeko-Tex 100 | Oeko-Tex |

Since 2008

| | |
|---|---|
| ISO 14001-2015 | Environmental Management System (EMS) |

Since 2008

| | |
|---|---|
| OHSAS 18001-2007 | Occupational Health & Safety (OH&S) |

Since 2008

| | |
|---|---|
| ISO 14001-2015 | Environmental Management System (EMS) |

Since 2009

| | |
|---|---|
| SA-8000-2014 | Social Accountability (SA) |

Since 2018

| | |
|---|---|
| STeP | Sustainable Textile Production (by Oeko-Tex) |

Since 2015

| | |
|---|---|
| ISO 17025-2005 | Laboratory Management System (PNAC) |

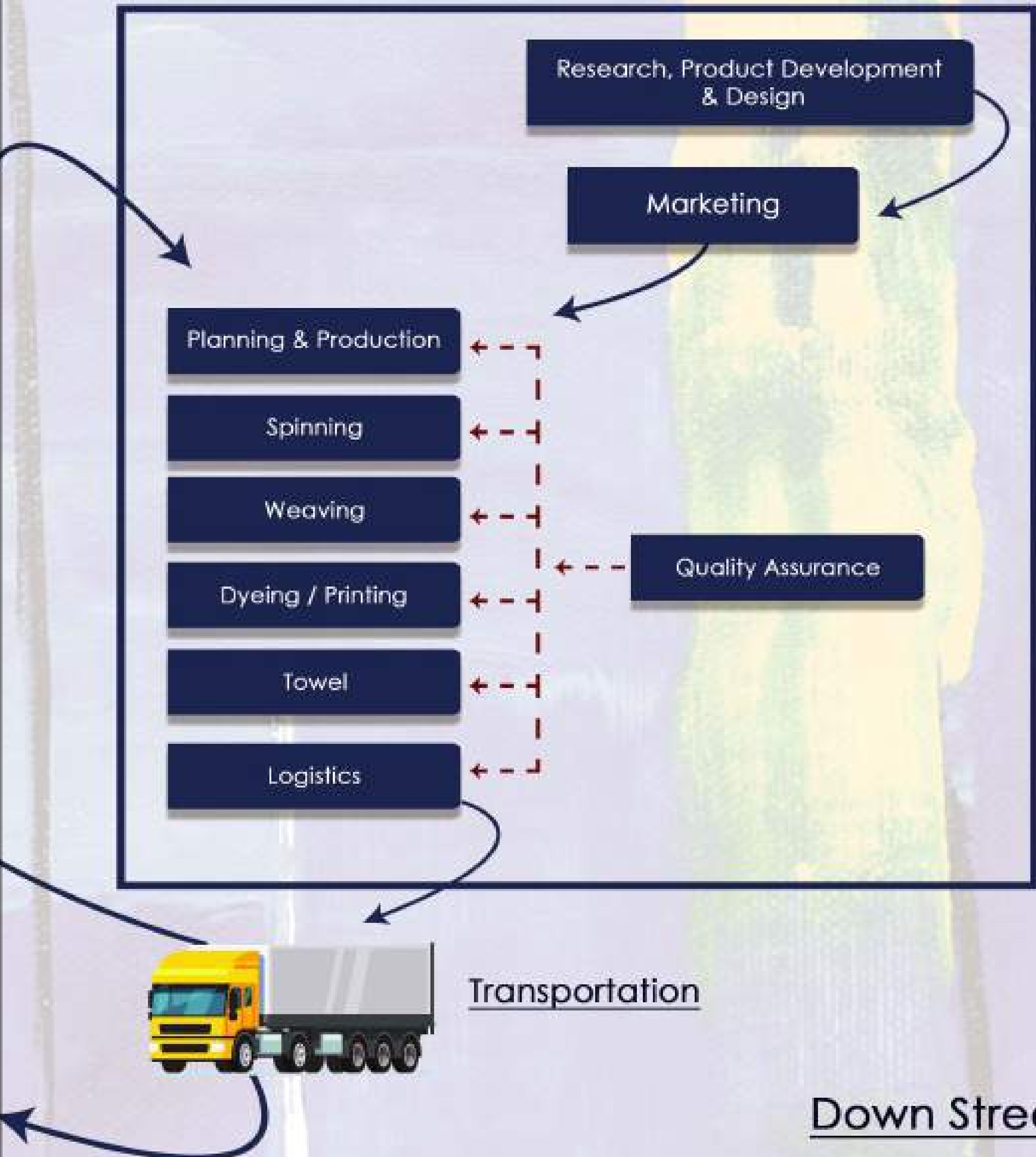
Since 2018

| | |
|---|---|
| ISO 50001-2011 | Energy Management System (EnMS) |

Since 2018

| | |
|---|---|
| GOTS | Global Organic Textile Standard |

# Position of Feroze1888 Within Value Chain


Research, Product Development & Design
Marketing
Planning & Production
Spinning
Weaving
Dyeing / Printing
Towel
Logistics
Quality Assurance
Transportation

## Down Stream

# Steeples Analysis

## Social, Technological, Environmental, Economic, Political, Ethical & Seasonality factors that can impact Feroze1888's business environment

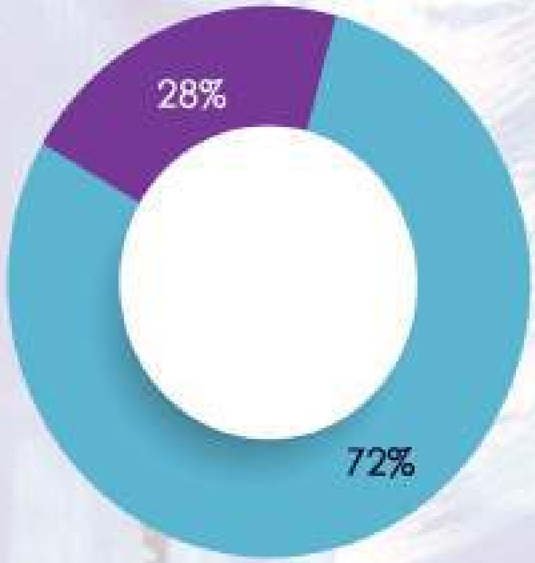
| | Social | Technological | Environmental | Economic |
|---|---|---|---|---|
| Description | CSR, increasing attention to heath consciousness, consumer preferences, lifestyle changes. | Emerging technologies New inventions and developments | Compliance with Environmental Laws. Recycling, curb carbon footprints and global warming concerns. Climate changes, natural disasters Growing attention to environmental protection | Increase in Interest rates and inflation adversely affect the business in terms of raising input costs. High labour and energy costs. Low economic growth also affect the business |
| Organizational Response | Feroze1888 is committed to responsible business practices as responsible corporate citizen. The Company donates generously to various social and charitable causes including health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility. Company also encourages its employees to be part of its social agenda for betterment of the society. | Keeping in view the technological advancements, the Company has always given priority in investing in latest developments. The Company has hi-tech machinery at its production site. The Company also ensures participation of its senior management in various national / international exhibition / training session, in order to be updated with the latest technology | The Company complies with ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System. Make efficient use of natural resources, including gas, electricity and water to help reduce our carbon footprint. A water reclaim plant is installed by the Company to recover a major proportion of waste water for re-use. | Company keeps on applying cost effective measures to manage inflatory pressure. Company actively monitors the economic factors and take steps to minimize their negative impact. |

| Political | Legal | Ethical | Seasonality |
|---|---|---|---|
| Changes in trade and other economic policies due to government change. Political turmoil generally impacts organizations negatively. Frequent changes in government policies affect the business community's confidence. | Compliance with Legal and Regulatory requirements is necessary for the Company's smooth operations. Compliance with International laws and policies relating to trade and commerce. | False or misleading information to customers, deceptive use of another's business trade mark, product labeling or packaging. Inaccurate declarations of imports & under invoicing. Below standard product quality. | Slow down of business and export activities during Christmas and New Year vacations in USA and other export countries. Decline in demand of Beach Towel in winter season. |
| Management closely monitors the political developments and Company's strategies are developed and adjusted accordingly. | Proactive approach by the management in timely implementation of and compliance with any changes in the regulatory environment of the industry. The Company strongly abides all laws, regulations and standards, applicable on it. In this connection consistent efforts are put by the management to fulfill every legal aspect. | Fair and ethical business practices are at the heart of the Feroze1888 values. Choosing the course of highest integrity is our intent and we establish and maintain the highest professional and ethical standards to be perceived as impartial and independent. The management condemns corrupt and fraudulent practices and ensures transparency and integrity | Feroze1888 production is not impacted by any of these seasonal issues ,as the required production is spread over the period for effective management of resources |

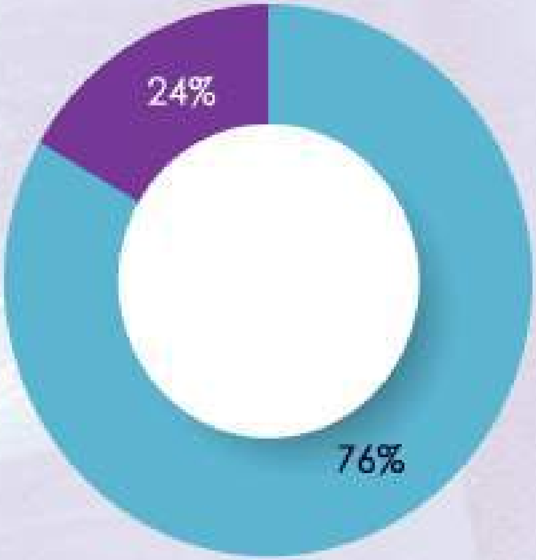
# Composition of Imported vs. Local Raw Material and Sensitivity Analysis

For the year ended June 30, 2019

The Company uses many local and imported raw materials for manufacturing of its end product. The Company's main raw materials are raw cotton, yarn, dyes and chemicals, general stores and spares and packing materials. Following is the composition of local and imported raw material used during the year.




2018 - 2019

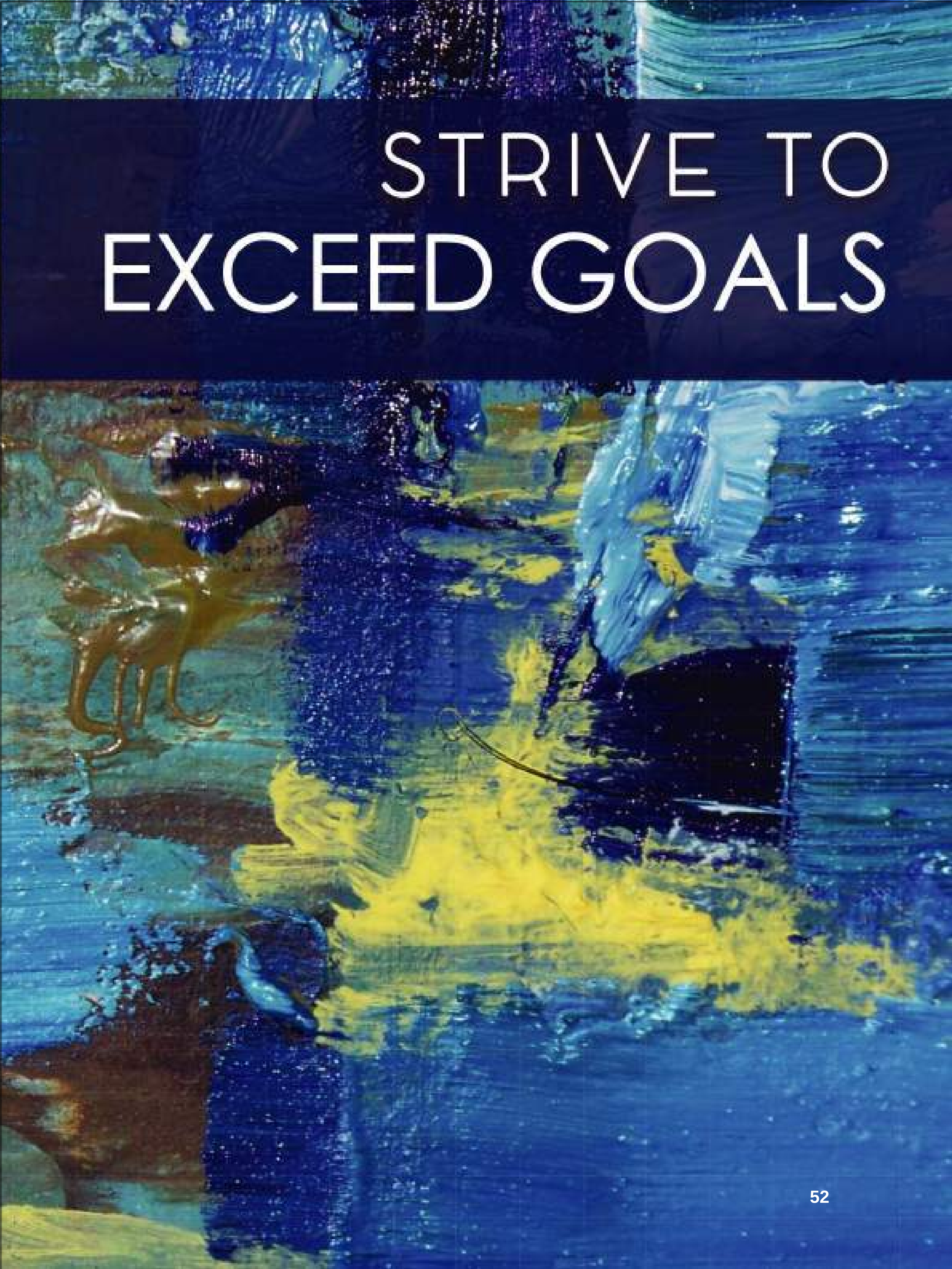



2017 - 2018

Imported raw material comprises of 28% while local raw material represent 72% of the total raw material used for the year ended 30 June 2019. Raw material cost shall increase/decrease by 3% and 5% in case of foreign currency fluctuation by 10% and 20% respectively; hence such fluctuation is highly sensitive as it covers the substantial portion of cost of sales. This analysis assumes that all other variables, in particular, interest rates remain constant.

Feroze1888 Mills has made tireless efforts to gain significant recognition as the leading Manufacturer and Exporter of Specialized Yarn & Textile Terry Products in Pakistan. Over the years, we have emerged as a preferred choice for terry textiles. Our exhaustive list of accolades ranges from national to international, which is a testimony to our unwavering commitment towards excellence in quality textiles for Home and Hospitality.

# STRIVE TO EXCEED GOALS



# Strategy and Recource Allocation

*Where does the organization want to go and how does it intend to get there*

## STRATEGIC OBJECTIVES

Strategy is what, which transforms vision into reality. Strategic objectives determine the direction and scope of an organization, configure the resources within a changing environment to meet the needs of markets and fulfill stakeholders' expectations. Strategic objectives serve as the baseline for an organization. For Feroze1888, to be the market leader while upholding the true spirit of Triple Bottom Line is the key driver in short, medium and long term.

Our strategic objectives are:

| | |
|---|---|
| Short term | Strive to improve efficiency of our operations and cost optimization through continuous innovation |
| Midium Term | To grow through expansion of our core business in medium term. |
| Long Term | To attain sustainable development without compromising on innovation, product quality and customer satisfaction and to create sustainable value for our stakeholders in the long term. |

## STRATEGIES IN PLACE

Sustainable value can only be created through responsible use of resources, developing cost effective and quality products which meet customer expectations, dealing fairly with all our stakeholders and remaining true to our vision and values. This attitude opens up opportunities for growth resulting in higher level of revenues, customer appreciation and acceptance of our product. We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards. We are committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance. We continuously invest in operational excellence initiatives, capacity enhancement, ef□cient technologies and sustainability measures.

## RESOURCE ALLOCATION PLAN

Our ownership of upholding commitment to Triple Bottom Line People - Planet Prosperity (3Ps), untiring focus on operational excellence and creating unmatchable values of our products and services for our customers is what makes us stand tall amongst our competitors in the market.

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investments, which management believes can be achieved through revenue maximization and cost rationalization measures. On the revenue side, our growing volumes are evidence of our persistent efforts and we are confident that our investment on production capacities shall reap positive results and support in maximizing returns for all stakeholders in the same manner as previous expansions. The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve highest possible returns.

On the cost side, our continuous improvement and cost smart initiatives are delivering substantial savings for the business. Feroze1888 continues to invest in new and ef□cient technologies and implementation of Overall Equipment Effectiveness (OEE) concept. Power generation cost is effectively controlled by following energy conservation measures through self-generation by use of gas turbines and generators. In addition, the Company uses combination of both imported and local cotton in order to maximize the yield of the spinning process. During the year, there was volatility in international cotton prices which is key component of our cost. The Company successfully managed to control its cost by efficient mix of imported and local cotton.

Organization success depends on the direction it sets for itself and how challenging it can be for its team members. The skill set and technical expertise of the team is inevitable for the success of any organization. Feroze1888 gives prime importance to Human Resource Management. We are keen to develop our human capital professionally. To live up to our core value of People Development, consistent efforts have been made for employee engagement.

Approved HR policies are in place and HR function is integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The Management's objective is to recognize and reward employee's contribution to the business. These processes help the availability of high quality workforce which plays a vital role in achieving day-to-day targets and tactical and strategic objectives of the Company.

Effectiveness of internal controls is ensured through active System and Control Department and Internal Audit Function; both of them independently recommend their suggestions to the Board's Audit Committee. On all constructive suggestions, the Management takes corrective actions immediately. Another prime objective of the management is customer satisfaction for which management takes every step to ensure high quality customer care and product quality. For this purpose the Company has obtained certification of Total Quality Management (TQM) system ISO 9001: 2015 and Environment Management System ISO 14001: 2015. Being a responsible corporate citizen, the Company is committed to continuous improvements in safety, health and environment protection measures. For this purpose Company has obtained certifications of Occupational Health and Safety Management Systems (OHSAS 18001-2007), Social Accountability (SA 8000-2014), Sustainable Textile Production (STeP) by OEKO-TEX and Global Organic Textiles Standards (GOTS).

# LIQUIDITY STRATEGY

The Company has the strong capital structure which is adequately supported by the equity. The Company applies prudent liquidity management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company has a history of prompt debt repayment and never defaulted or delayed any debt installment. The Company has adequate funds available and management foresees no liquidity glitch in future. The increase in gearing in the current few years is due to the increased investment in capital expenditure related to capacity enhancement and consolidation of operations being carried out at one of the Company's major production site.

Long-terms debts are only utilized to finance the capital expenditures. For working capital requirements short-term financings are availed to adequately maintain the debt and equity ratio throughout the year. Enhanced sales have considerably supported the liquidity position of the Company. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio of 1.73 which reflects its strong liquidity position.

During the year, the Company has obtained a fresh disbursement of Rs. 1.517 billion from its long term financing facility to finance the on-going capacity expansion and sustenance activities. Capacity expansion includes installation of energy conservant state of the art air jet looms, spindles, digital printing set-up, cost efficient generators, RO plant and Environmental Treatment Plant.

The Company also has arrangements with commercial banks in form of short-term financing facilities to meet its working capital requirements. Short term borrowing has been utilized only for working capital requirement which is increased over the period in line with growing business needs.

## Financing Arrangements

Due to strong financial position, Feroze1888 maintains gracious business relationship with all reputable banks and financial institutions of the Country. Sufficient unutilized short-term financing facilities are available at the Company's disposal. The Company regularly monitors the debt-equity ratio to save the Company from any excessive debt pressure.

# SIGNIFICANT PLANS AND DECISIONS

The company has transformed over the years and strengthened through organic and inorganic growth strategies being followed by the management. Company has undergone expansion through restructuring including merger in the past years. However, in the near future, there are no plans for any significant restructuring or discontinuance of operations except for the major expansion of manufacturing capacities and consolidation of business activities at the production site of the Company and an expression of interest of Feroze1888 in a business venture for product differentiation and value addition and upgraded quality.

# SIGNIFICANT CHANGES IN OBJECTIVES AND STRATEGIES FROM PRIOR YEAR

The business objectives and strategies of the Company are developed through delicate planning and are based on the vision and long term strategic business goals. Progress of Company towards its strategic positioning in future and business objectives is monitored and regularized through key performance indicators. There has been no material deviation from the targets' and business goals already set to achieve the strategic objective during the year.

# Risk and Opportunity Report

| Risk / Opportunity Category | Major Business Risk / Opportunity | Sensitivity | Source of Risk / Opportunity |
|---|---|---|---|
| Strategic | Shift in production technologies | Low | External |
| | New Capacities and change in competitive scenario | High | External |
| Financial | Credit Risk | Medium | External |
| | Interest Rate Risk | Low | External |
| | Exchange Rate Risk | Medium | External |
| Operational | Stagnant or decreasing sale Prices | High | External |

| Likelihood of Occurrence | Impact on Company | Mitigating Factors / Steps to Create Value |
|---|---|---|
| Likely | May make Feroze1888's processes obsolete and its product and prices non-competitive in local and international markets | Feroze1888 strongly believes in the philosophy of continuous improvement and firmly applies this to its processes and plants. Accordingly, modernization and up-gradation of production facilities and investment in new technologies allows Feroze1888 to respond appropiately and promptly to any changes in production technologies. |
| Very likely | Drop in market share and pressure on prices | Feroze1888 holds major share in export market because of its quality, innovation in design and price competitiveness. Secondly, having a wide range of terry products is also a key advantage. However, we have also planned expansion of our capacity in due course of time to cope up with the increasing demand pressure to maintain our market share. |
| Likely | Financial loss in case of payment defaults by customers | We have established credit policy with assigned limits. Analysis of credit worthiness of each customer individually by the management before extending any major credit is done. Close monitoring of credit limits and regular recovery procedures are in place. |
| Very likely | High Financial Cost in case of increased interest rates | The Company regularly monitors the interest rate movements. Due to good credit worthiness of the company best possible rates are obtained. |
| Very likely | Certain operating and capital expenditure incurred by the Company in foreign currencies. An adverse exchange rate movement can cause increased input costs | Economic indicators are closely monitored along with currency fluctuations and wherever needed hedging arrangements i.e. mainly forward cover where available are made. In case of USD, Company also has natural hedge as it imports and exports in the same currency which majorly offsets the risk. |
| Very likely | Squeezed profit margins as a result of stagnant and decreasing sales prices while cost rises | The Company has placed its utmost efforts to uphold its market position and growth in business by continued cost reduction, broadening and retention of customer base through:<br>- Modernization of plant & machinery and efficiency in processes<br>- Technology up-gradation and energy efficient equipment<br>- Effective procurement planning for raw materials. |

# Risk and Opportunity Report

| Risk / Opportunity Category | Major Business Risk / Opportunity | Sensitivity | Source of Risk / Opportunity |
|---|---|---|---|
| Operational | Energy and water shortage in Pakistan | High | External |
| | Increasing Fuel and Power Cost | High | External |
| | Supplier default | Low | External |
| Commercial | Economic downturn may impact demand for Feroze1888 product | Low | External |
| | Trade protectionism amongst export markets via imposition of tariffs could impact Company sales | Medium - High | External |
| Environmental | Non-compliance of Environmental Laws | High | External/ Internal |

| Likelihood of Occurrence | Impact on Company | Mitigating Factors / Steps to Create Value |
|---|---|---|
| Likely | May hamper production capacities as water and energy are the essential components of the processes. | Feroze1888 has its own captive power generation and water recycling plant. The management keeps an eye on alternate energy sources |
| Very likely | High Cost of production with a risk that it may not be passed on. | Own captive power generation through multiple sources including Solar and Gas Generators. Use of energy efficient equipment. |
| Likely | Disruption in supply of raw materials | Long term relationships with reputable international suppliers with ethical and professional standard operating procedures that reflect our own values. We maintain sufficient raw material and finished goods inventory to cover our requirements in case such a situation arises |
| Remote | Decrease in sales and ultimately adverse impact on business | The inelasticity of Feroze1888's product and strong export footprint allow the Company to counter economic cyclicality |
| Likely | Decrease in export sales and business | Ensuring that prices and quantum of exports maintain the demand of the Company's product intact. Additionally, maintaining diversity of export markets to limit dependence on one single destination |
| Remote | The Company prioritizes the environmental sustainability in all its operations and activities. | At Feroze1888, the ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System is followed as the framework on which to continually improve our environmental performance. We make every effort to Reduce, Reuse and Recycle waste (3R), minimize natural resource consumption & treat any harmful emissions before they are released to minimize environmental footprint. |

# Forward Looking Statement

This Annual Report contains or may contain forward-looking statements, all of which are based on management's current expectations and are subject to risks and uncertainties which may cause results to differ materially from those set forth in the statements. Stakeholders can identify these forward-looking statements by their use of words such as "anticipates," "expects," "plans," "will," "estimates," "forecasts," "projects" "intend," "may," and other words of similar meaning, or negative variations of any of the foregoing. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results, product development, product approvals, product potential, and development programs. Stakeholders must carefully consider any such statement and should understand that many factors could cause actual results to differ materially from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially. The Company does not assume the obligation to update any forward-looking statement. The Company cautions its stakeholders not to place undue reliance on these forward-looking statements.

The past year has presented considerable economic challenges, not just for Feroze1888, but for Pakistan as a whole. GDP growth contracted to 3.3% as against 5.8% in 2018-19 and CPI inflation has increased to 7.3% as against 5.0%. The State Bank of Pakistan has gradually increased the discount rate from 6.50% on July 01, 2018 to 12.25% at the close of current fiscal year, an absolute increase of 5.75%. 2019-20 is likely to be even more challenging year as economic indicators reflects performance far below the planned targets and forecasters and the International Agencies revised down the GDP growth forecast to be less than 3%. The CPI inflation has increased considerably due to higher government borrowings, hike in energy prices and unfolding impact of depreciation of Pak Rupee and expected to be soar between 11 to 12%. However, the Government is continuously taking various fiscal and monetary measures to correct the imbalances in the economy.

Despite fragile economic conditions, we are well positioned with leading market share. Currency devaluation should help to boost exports in 2020, along with an enhanced access to the Chinese market. We expect both sales volumes and revenue to be higher in upcoming year and will try to achieve better earnings than current year. However, constant increase in raw material prices may squeeze profit margins. The Company is also making efforts to improve operational efficiencies and optimize the utilization of its available resources.

The management is well aware of and extremely prioritizes the importance of timely adaption of technological advancements, maximizing shareholder value, operational progressions and infrastructural expansions in order to continue to create a competitive edge. Feroze1888 continuously seeks to improve its performance with an emphasis on health, safety, security, environment - as well as adhering to principles, values and ethics, the Company dynamically takes strategic steps to progress and excel the experiential and unique specialties for its valued customers. With the emerging trend and transition of a greener environment, Feroze1888 aims and supports to power progress with cleaner and optimum energy solutions for a lower-carbon and healthy economy and environment.

The Company is proactively focusing on energy conversation projects to optimize energy consumption by introducing energy efficient equipment. We have initiated an array of energy conservation practices including green energy generation via renewable energy sources - Solar. We are among very few organizations in Pakistan who are certified with ISO 50001:2011 – Energy Management System Certification. All High Pressure lights have been replaced with efficient LED Lights for energy savings at all locations.

The export market remains highly competitive and our primary thrust will be towards introduction of a diversified range of value added products and increased penetration into new export markets. The Company has experienced growth in sales in last five years and foresees it to continue. To meet this growth aspiration and customers' expectations, the Company plans to enhance and modernize the production facility to make it state of the art, to reduce the cost of operations, reduce reliance on ever increasing outsourcing cost and improve quality to remain competitive in the market. For this purpose major expansion project is underway which includes commissioning of new looms and spindles, construction of new production and storage sites. This expansion shall increase the existing weaving and spinning capacities considerably in next five years. The market of printed towel is increasing and it's a high value business, therefore in-house capacity to be enhanced to grab the market opportunity.

Feroze1888 intends to grow inorganically as well for sake of product differentiation, up gradation and value addition. For this purpose an expression of interest has been made in a business venture by Feroze1888 to explore the potential opportunity to invest.

In order to dilute the political instability and boost the confidence of textile sectors, it is expected that Government will come up with some plan for the textile sector including but not limited to resolution of GIDC matter, timely release of tax and DLTL refunds. With the approval of the IMF bailout package, concessional loan obtained from friendly countries, strict policies to regulate the foreign exchange transactions, and better balance of trade during this year, mainly on account of reduction in import bills, it is expected that rupee will contain its stability and there would be no significant increase in interest rates in the upcoming year. Further, the government revenue targets set for the upcoming year, if achieved, can surely be the beginning of new heights for the Country and accordingly will have a positive impact on the Economy.

# Forward Looking Statement

## Sources of Information:

Management has referred figures from SBP monetary policies, inflation snapshot and different economic research reports and has made estimates through assessment of market surveys, economic research reports, discussions with industry professionals and internal discussions. The Company prepares annual budgets and forecasts to manage business more effectively. The forecasting is done keeping in view the historical data and figures. Projections are developed based on macro and micro economic indicators, markets trends & research, international and local material price forecasts, data from regulatory & taxation authorities, seasonal variations and competitors' actions etc. Internal capacities are reviewed based on available data and alignment is planned to achieve desired results.

# **SWOT** Analysis

## Strengths

- Vertically integrated structure
- Highly skilled team of long associated professionals
- Progressive mindset for innovation and creativity
- Strong customer base
- Environmentally responsible organization
- Strong brand equity
- Global access to renowned customer base

## Weakness

- Relatively homogeneous product, limiting pricing strategies
- Narrow product line
- Reliance on depleting natural resources
- High labour-intensive industry

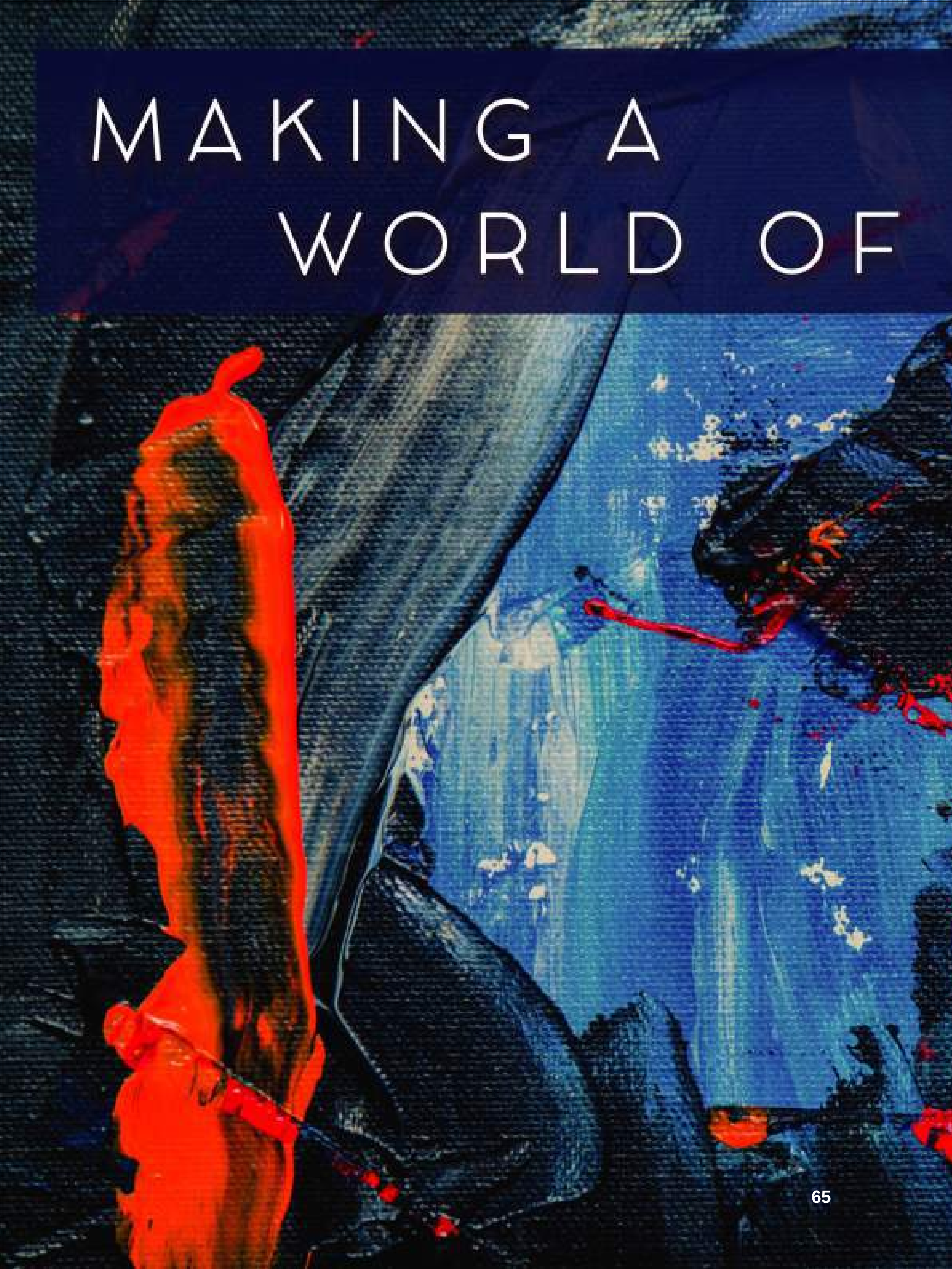
## Opportunities

- Value addition in product line
- Implementation of energy efficient technologies
- Region-wise distribution diversification
- Horizontal and vertical product diversification
- Technological advancements for optimization of manufacturing processes and cost rationalization

## Threats

- Increase in raw material, fuel and labour costs
- Inconsistent Government policies for Textile Industry
- Price - Cost Parity
- Un-interrupted and inexpensive supply of natural gas.

# MAKING A WORLD OF



# DIFFERENCE

Feroze1888 lives by the motto of 3Ps: People, Planet and Prosperity. We believe in prosperity for all. Following a Triple Bottom Line approach, we thrive to lead the market with our innovative and customer friendly products, creating a safe work environment and contributing to the economy with exports and career opportunities for our fellow citizens.

# CORPORATE SOCIAL RESPONSIBILITY (CSR)

Managing resources responsibly, engaging with the communities in which we operate, dealing fairly with all our stakeholders and remaining true to our vision and values, are all key indicators of our success as a Responsible Corporate Citizen.

Corporate social responsibility (CSR) is our sense of responsibility and ownership towards the community and environment in which we operate. We, at Feroze1888, are committed to responsible business practices both within the Company and throughout the chain of our partners and suppliers. We have embraced our responsibility to build and improve the communities we serve. Our vision is to be the market leaders while upholding the true spirits of Triple Bottom Line, (3Ps) People, Planet and Prosperity.

Following are the areas which contribute to our corporate social responsibility commitment:

1. **Health & Safety**
2. **Environment & Sustainability**
3. **Quality**
4. **Our People**
5. **Educational & Capacity Building**
6. **Ethical Trading**

# 1. HEALTH & SAFETY

At Feroze1888, we are committed to ensure that health and safety is at the very top of our agenda in all of our activities. We look both within and beyond our immediate environment to ensure that we contribute to the highest possible standards of health and safety for all our stakeholders.

## Our Commitment

- Active support and participation in the creation of a positive health and safety culture at all levels within the Company, particularly at Senior Management level.
- Maintain safe and healthy work places and systems of work to protect all employees and others, including the public in so far as they come into contact with foreseeable work hazards.
- Provide all employees with the information, instruction, training and supervision that they require to work safely and efficiently, and methods to assure employees understand and retain the knowledge.
- Develop safety awareness amongst all employees and, as a result of this, create individual responsibility for health and safety at all levels.
- Extend financial assistance to non - profit organizations in the area of medical treatment, medical equipment etc and other social welfare projects that reflect our business values.

# 2. QUALITY

At Feroze1888, we are committed to continually improving the efficiency and effectiveness of our business processes and management systems.
This means ensuring that our products meet the requirements of our customers at all times. Maintaining excellent standards of quality supports our goal of being the supplier of choice for customers within our markets, achieving the highest level of satisfaction for all our stakeholders.

## Our Commitment

- Maintain the requirements of, the ISO 9001:2015 & OHSAS 18001:2007 Quality Management System as the framework on which to continually improve our quality performance.
- Comply with all product quality standards, approvals and other requirements relevant to our customers and consistent with the requirements of our business.
- Develop highly skilled employees who take responsibility for the quality of their work and promote a culture of 'right first time' within the organization.
- Ensure the effective implementation of quality policies and procedures by providing appropriate information and training to our employees and encouraging their participation in business improvement activities.
- Establish quality targets and objectives at all levels of the organization and report our performance against them.

# 3. ENVIRONMENT & SUSTAINABILITY

At Feroze1888, we are committed to adopting and promoting environmental good practice throughout our business in order to operate in a sustainable manner.
The reduction of our environmental impacts and continuous improvement in our environmental performance are an integral part of our business strategy and operating methods. We make every effort to Reduce, Reuse and Recycle waste (3R), minimize natural resource consumption & treat any harmful emissions before they are released to minimize environmental footprint.

## Our Commitment

- Maintain, as a minimum requirement, the ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System as the framework on which to continually improve our environmental performance
- Protect the environment by preventing pollution and promoting activities that help mitigate the effects of climate change
- Make efficient use of natural resources, including gas, electricity and water to help reduce our carbon footprint
- Comply with, or exceed the requirements of all relevant environmental legislation and codes of practice and compliance obligations
- Operate effective procedures for the reduction, reuse and recycling of waste water, for the safe storage and disposal of waste that cannot be avoided.
- Ensure energy conservation by using renewable energy resources and environment friendly production processes.
- Work in partnership with our suppliers to promote effective environmental supply management, encourage sustainability and wherever possible purchase products and services that have the least impact on the environment
- Assess the environmental impact of any new equipment, process or product we intend to introduce in advance
- Ensure the effective implementation of environmental policies and procedures by providing appropriate information and training to our employees and encourage their participation in environmental improvement activities
- Establish environmental targets and objectives and report our performance against them
- Address complaints about any breach of our Environmental Policy promptly and to the satisfaction of all interested parties.
- Occupational health and safety hazards identifications, Risk assessment and determining controls.

# 4. OUR PEOPLE

At Feroze1888, we know that our people are fundamental to our success. We believe that championing equality and diversity, and investing in welfare and development are the keys to creating a workplace that our people feel proud of, where they feel valued and empowered to give their best at all times.

## Our Commitment

- Give equal treatment to all current and potential employees, regardless of gender, race, disability, religion or belief, age, marriage or civil partnership, pregnancy and maternity or paternity.
- Provide suitable training and development opportunities and support.
- Provide a framework for regular employee reviews with their line manager.
- Provide suitable working environments in accordance with our health and safety policies.
- Take a "zero tolerance" approach to dealing with bullying and harassment in the workplace.
- Maintain and enforce robust disciplinary procedures to ensure the fair treatment of all employees.
- Maintain robust procedures with regard to grievances and whistleblowing, and promote the appropriate use of such procedures in an open and fair manner.

- Provide appropriate remuneration and benefits to every employee.
- Provide appropriate support for employees suffering from medical conditions, and assist with managing their return to work.
- Ensure all employees are aware of their responsibilities with regard to health, safety, quality, environment and all other procedures.
- Comply with both the spirit and the letter of all relevant employment law.
- Ensure that the company values are understood and adopted by all.
- Provide every employee with a handbook which clearly sets our standards of behavior, and company values and rules.

# 5. EDUCATIONAL & CAPACITY BUILDING

At Feroze1888, we know that education is a key to the success of our nation as a whole. We believe in our active role and responsibility towards providing better education facilities to our communities and investing in education support programs.

## Our Commitment

- Support and promote our employees, their children in managing their educational expenses.
- Extend our financial support to deserving students in the universities to enable them to complete their education. We would also provide them with internship opportunities to gain exposure of professional working environment.
- Extend support to universities by sponsoring the career fairs and helping them to connect with the industry for future employability.
- Collaborate with universities, colleges and schools to mentor the students on the life ethics and values and how they can prepare themselves for the corporate world.

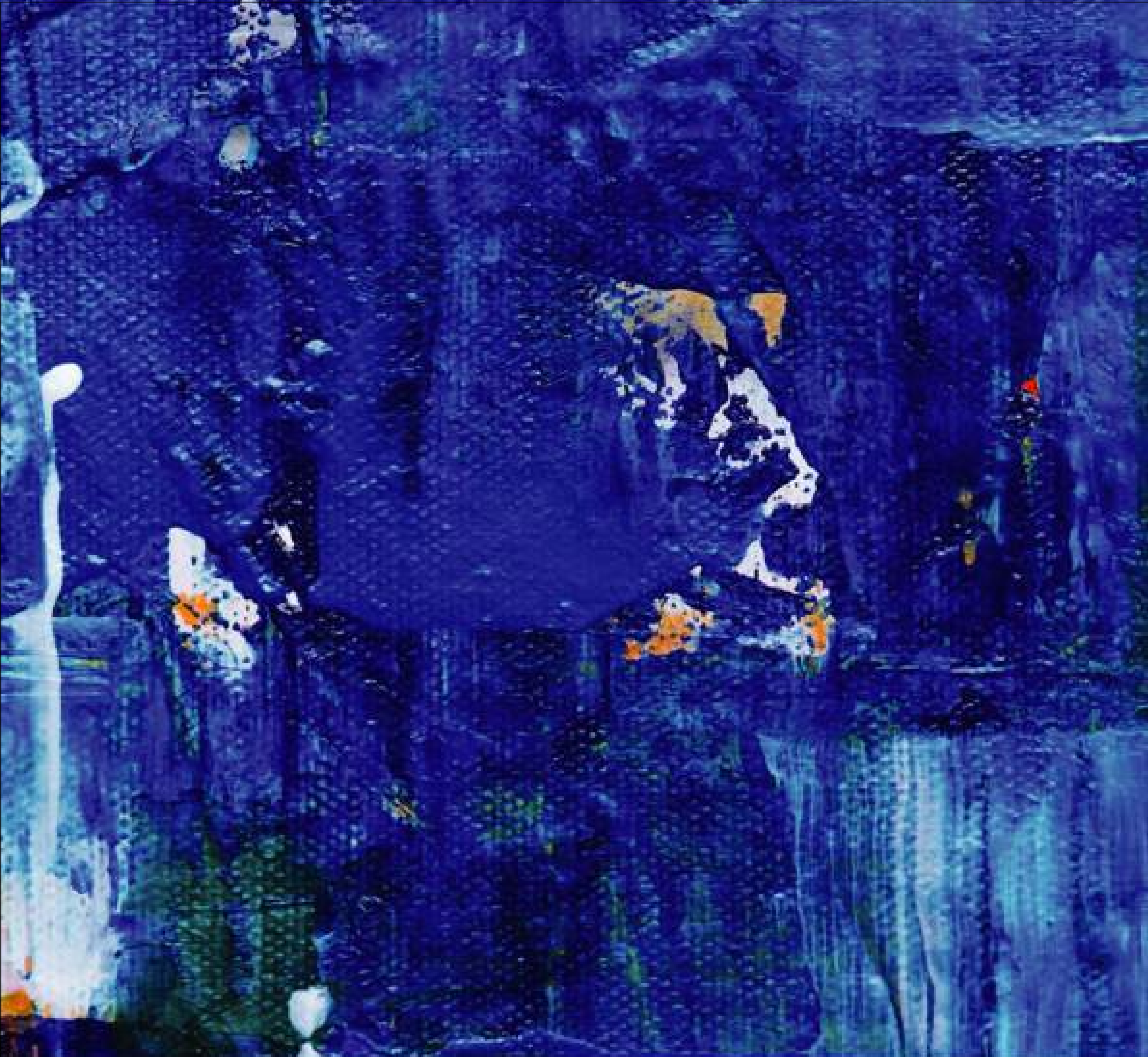
# 6. ETHICAL TRADING

At Feroze1888, we are committed to trading in a fair manner with all of our customers and suppliers. We take our legal and moral obligations very seriously in working to prevent acts of bribery, anti-competitive behavior, modern slavery and illegal trading.

## Our Commitment

- **Fair & Honest Dealing**
  Fair dealing with colleagues, shareholders, customers, suppliers and competitors.
- **Compliance with Laws, Rules & Regulations**
- **Conflicts of Interest:**
  Avoiding any relationship, activity, or ownership that might create a conflict between personal interests and the interests of the company.
- **Protection & Proper Use of Assets & Resources:**
  Preserving and protecting the company assets and resources and to ensure their efficient use, and only using them for legitimate business purposes
- **Maintaining Confidentiality of Information:**
  Protecting all confidential information from unauthorized disclosure, including customer, supplier, business partner and employee data.

# VISIONARY LEADERSHIP



Visionary Leadership unlocks the true potential in people to excel and outshine. Big results require big ambitions and great things never come from comfort zones. Big Ideas come from forward thinking people who challenge the norm, think outside the box and invent the world they see inside rather than submitting to the limitations of dilemmas.

# Chairman's Review

It gives me great pleasure to communicate with our valued members and stakeholders to present the Annual Report for the year ended June 30, 2019, to apprise them on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

On behalf of the Board of Directors, I welcome Mr. Rehan Rahman, as Chief Executive of Feroze1888 for his second term and congratulate on his re-appointment. The Company has progressed well under his leadership and I look forward the Company reaching new heights of success in future as well. I also welcome on board Ms Huma Pasha, Mr. Asim Shabbir Patka and Mr. Usama Rahman and am confident that they will put their best effort to add value to the existing practices in the Company with their immense experience. I would like to place on record the immense contribution of the outgoing Directors Mr. Abdul Rehman Yaqub and Mr. Anas Rahman during their tenure.

The Board exercised its professional duties with integrity, honesty and diligence. I, as Chairman of the Board, ensured that the board meetings are held in a congenial atmosphere focusing on achieving the goals in the best interest of the Company.

Year 2018-19 was a historic year for Feroze1888 Mills Limited. The Company posted highest ever profit after tax of Rs. 5,990 million against profit after tax of Rs. 2,752 million posted last year. Despite many challenges on the economic and business front, the Company remained able to outperform owing to the persistent and diligent efforts of the Board members and Company's management. The Company strengthened its market leadership by focusing on maintaining quality, continued investment in capacity and operational excellence.

During the year, the Board of Directors focused on the future strategy and set the financial and operational targets. The Board regularly tracked the progress against the budgeted targets. The committees of the board worked diligently and focused on their terms of reference during the year under review. The Board has carried out a review of its effectiveness and performance which is satisfactory. The Board evaluation during the year 2018-19 robustly considered all aspects including the performance of individual Directors, Board Committees and the Board as a whole and I am happy to report that your Board continues to function effectively and is focused on priorities for the Company's business.

I am extremely grateful to the untiring contributions of my fellow Board members which led to the growth in Feroze1888's profitability, exceeding the Company targets. Going forward, persistent pricing pressure, devaluation of PKR, extension of ad-hoc levies, increase in gas cost etc. continue to pose risk to the Company's profitability. Favorable governmental policies are, therefore, imperative for sustained growth of the textile industry. The Board also remains focused on increasing the shareholders' value through efficiency enhancement and local & offshore diversification initiatives and enduring contribution of the Company towards its Corporate Social Responsibility and Sustainable development.

**Jonathan R. Simon**
Chairman and Director

# CEO's Message

## ASSALAM – O- ALAIKUM

The year 2018-19 has indeed been a rewarding business period for all the stake holders of Feroze1888 Mills where every team member has truly lived up to the aspiration of taking the company a step ahead in materializing the vision of being the market leader. The year despite all the economic turmoil, political uncertainties and global trade modalities ups and down could not hold us back and with the consistent and resilient determination, Feroze1888 was successfully able to sustain its market presence, enhance customer delight and improve the quality of its products and services.

The results we have achieved are self-explanatory as we close the financial year 2018-19 at 5.99 billion after tax profit. Export proceeds touched a new benchmark of USD 210.04 million for the first time in the business history. Our net turnover increased by 34% to PKR 29,244 million and in USD terms it is increased by 9%.

We strongly believe in Excellence being the core foundation of all that we do. The growing competition and increase in the variable cost demands that operational efficiency is maintained throughout the production cycle and other areas of business. For this purpose, we have taken rigorous steps to remain cost efficient without compromising the quality of our products and services by investing in product development, improving internal efficiencies through optimization of manufacturing processes, cost rationalization, technological advancements and our employees' skills enhancement both at professional and personal level. We further remain vigilant to improve our customer relationships and adapt to the frequently changing markets dynamics.

The future looks promising; the Company has envisioned and laid the foundation for long term sustainable market leadership by investing in improving the quality of products further, exploring new horizons for placing the products, upgrading our systems as per new technology and last but not the least enhancing the skill set of our valuable employees.

I am appreciative of the trust, continuous support and guidance from the Board members and I can assure them that the roadmap for success at Feroze1888 Mills will be achieved this year and we will InshaAllah set a new business bench mark also.

I would also like to express my sincere gratitude to all my customers, shareholders, business partners and my entire team, who have patronized Feroze1888 in the past and continue to do so today. I look forward to the upcoming years with more enthusiasm and confidence to uphold our brand promise of ultimate quality, reliability & InshaAllah an exponential business growth.

**Rehan Rahman**
Chief Executive Officer

# GOVERNANCE

# Directors' Profile

## MR. JONATHEN R.SIMON

Chairman / Non-Executive Director

Mr. Simon has over 30 years of experience in the Home and Commercial textile industry and is Chief Executive Officer of 1888 Mills, LLC. USA, Chairman of Feroze1888 Mills Limited Pakistan. He received his education at Indiana University, BS in Business Administration and Management and at the University of Chicago Booth School of Business, AMP.

OTHER DIRECTORSHIPS
Chief Executive
1888 Mills, LLC

## MS. HUMA PASHA

Independent Director

Ms Huma Pasha is a Fellow of the Institute of Chartered Accountants of Pakistan (ICAP), a Certified Internal Auditor, a Certified Internal Control Auditor and carries a Certification in Risk Management Assurance. Huma has cultivated her professional career by working in London, UAE, Bahrain, Stanford (USA) and Pakistan for various global institutions including Citibank, Hub Power Company and the Dawood Hercules Group in several management capacities. Currently she is working as a Senior Partner at Usmani & Co an all-female lead accountancy firm. She is a vibrant trainer at well-reputed educational & business forums across Pakistan including ICAP, IBA, IIA and ISACA and regularly conducts Directors Training Programs for Board and covers variety of subjects such as Board Governance, Risk, Strategy, Board Performance / Evaluation as well as Board Ethics. Huma is certified director and currently serving on the Board of Hi-Tech Alloy Wheels and Feroze1888 Mills Limited.
Huma believes in empowerment of women and as the first Chairperson of the Chartered Accountants Women's Forum of ICAP she laid down foundation for all CA Women to follow the path of professional excellence and has created many opportunities for networking and professional grooming. Huma has served as the President of IIA Karachi Chapter, the President of ISACA Karachi Chapters as well as was on the Quality Assurance Board of ICAP.

OTHER DIRECTORSHIPS
Director
HI-Tech Alloy Wheels Ltd
Medical Aid Foundation

## MR. NASIM HYDER

Independent Director

Mr. Nasim Hyder has over 30 years of experience in accountancy, audit, tax, corporate affairs and consultancy as a partner in practice with Ernst & Young. An exemplary in Pakistan on taxation, he was actively involved in policy matters regarding tax legislations and has served a number of prominent industrial sectors in tax services besides being the tax advisory for various local & global clients of Ernst & Young. Served as the president of the Institute of Chartered Accountant of Pakistan (ICAP), he has been an eminent member of various committees at ICAP and CAPA.

### OTHER DIRECTORSHIPS

Director
The Indus Hospital
Orix Leasing Pakistan Ltd

## MR. KHALEEQUR RAHMAN

Non-executive Director

Mr. Khaleequr Rahman is in textile industry for more than four decades. Belonging to a family in business for generations, he was made part of business during his education days and started to learn and understand the textile and other family businesses. With the broadening of experience and exposure, his role was enhanced over time and ultimately assigned the responsibility to lead the business. After assuming of role he strongly emphasized on change in culture, adopting and practicing the more proven technological advancements and made all his efforts to adopt good practices, and introduced the culture of high performance with maximum economization. With his visionary and leadership capabilities and foresightedness, he not only enhanced the volume and profit by many folds but the company also on sustainable basis to rank as the largest in the Country. He is an individual who is highly respected in the Textile Industry for his professional acumen, vision and innovations. He is also a Certified Director by the Pakistan Institute of Corporate Governance.

### OTHER DIRECTORSHIPS

Chief Executive
ARS Impex (Pvt.) Ltd

Director
The Indus Hospital
CPLC – CRC SGS, Karachi

# Directors' Profile

## MR. SHABBIR AHMED Non-executive Director

Mr. Shabbir belongs to a family who has diversified stake in industries, trade and commerce for many decades in Pakistan and he himself is engaged in similar activities for almost 45 years both independently and in joint ventures and in partnership with other family members as well as other business houses and individuals. In addition to trading/commercial activities he has a substantial stake in textile sector and is involved in the overall management as Chief Executive and Director. He travels extensively for updating on advancement in textile sector and for exploring export markets, contract negotiation and customer retention. Mr. Shabbir is very much respected in the business community as well by banks and financial institutions as man of commitment.

OTHER DIRECTORSHIPS
Chief Executive
UTI Industries (Pvt.) Ltd

## MR. PERWEZ AHMED Non-executive Director

Mr. Perwez Ahmed's career began nearly five decades ago and his association with Feroze1888 is from the beginning as he is among the founding members of the company. Over the span of his professional service has proven his expertise in strategically leading the business with a strong acumen in finance, sales, marketing and general management. Mr. Perwez is very active in the textile community to date and has represented the company in various association & forums over the years. He has very strong interpersonal & communication skills and is presently involved in philanthropic activities as well.

OTHER DIRECTORSHIPS
Chief Executive
M&N Impex (Pvt.) Ltd

## MR. USAMA REHMAN Non-executive Director

Mr Usama Rehman graduated with a degree in Textile Science and Technology from the University Of Manchester. He has worked in various sectors through his career including Livestock, Health, Microfinance and Agriculture with particular interest in Modern Agriculture. A vivid reader, Usama believes in empowerment of the youth through education and is involved in various capacities to improve education standards for the underprivileged with focus on schools in rural areas. He is also an Independent Director on the board of PATH Education Society.
Usama is a Certified Director from the Pakistan Institute of Corporate Governance.

### OTHER DIRECTORSHIPS

Director
Liv Pharmacaceuticals (Pvt.) Ltd
Johanmacia Phar (Pvt.) Ltd
Friedden Management (Pvt) Ltd

## ASIM SHABBIR PATKA Non Executive Director

Mr Asim Shabbir Patka is a seasoned businessman with investments in textile, real estate and the stock market and has more than 18 years of industry experience.
Asim is presently running a textile garment unit. He is a director on a government trade body FPCCI committee. He is a philanthropist and believes in giving back to the society. A visionary and a strategic thinker, he has good leadership skills and leads effective teams in order to reach the desired goals.
Asim is a certified director from the Pakistan Institute of Corporate Governance.

### OTHER DIRECTORSHIPS

Director
UTI Industries (Pvt.) Ltd

# Directors' Profile

## MR. REHAN RAHMAN Chief Executive Officer

Mr. Rehan Rahman is the Chief Executive Officer of Feroze1888 Mills Limited. He was appointed in April 2016 as CEO and upon completion of the first term was re-appointed for the second term effective April 2019. He brings with him an extensive and cross functional hands on experience of over 15 years in Feroze1888.

Mr. Rehan was a key personnel in the change management process from 2010 to 2012 when acquisition and merger with Nakshbandi Industries Limited (NBIL) took place. He was appointed as CEO NBIL and effectively enabled a sick unit transformed into a gradually recovering unit.

During his tenure as a CEO of Feroze1888 Mills since April 2016, the Company has witnessed many milestones being achieved; be its business generation, capacity enhancements, HR development programs or winning multiple awards.

At personal front, he is keen to invest in his own professional grooming. He is a Certified Director from Pakistan Institute of Corporate Governances and attends various technical and leadership seminars and workshops on regular basis.

# DIRECTORS' REPORT

The Directors of Feroze1888 Mills Limited ('the Company) are pleased to present the Audited Financial Statements along with auditors' report thereon for the year ended 30 June 2019.

## PAKISTAN'S ECONOMIC OUTLOOK

Uncertain economic conditions dominated during the financial year 2018-19 globally due to the overall slowdown of world's economy on account of growth-trade dispute between USA and China over tariff policy and impact of Brexit. This overall global slowdown coupled with recent power transition in Pakistan and post-election havoc, impacted Pakistani economy adversely which lead to decline in business confidence and financial stability indicators.

Pakistan's economy has experienced frequent boom and bust cycles. Typically, each cycle comprised of 3-4 years of relatively higher growth followed by a macroeconomic crisis which necessitated the stabilization programs. The inability to achieve sustained and rapid economic growth is due to structural issues which require effective monetary and fiscal measures to achieve macroeconomic stability. There have been uncertainties during the year mainly due to abrupt devaluation of rupee; the discount rates hike which resulted in an increase in inflation. After receipt of financial assistance from friendly countries, recent MOU's being signed for Foreign Direct Investments and the IMF bailout package, it is expected that the economy now find its way towards gaining momentum. The current account deficit has narrowed to US$ 12.7 billion in Jul-May of fiscal year 2018-19 compared to a deficit of US$ 17.9 billion during the same period last year registering a fall of 29.3 percent. This improvement was primarily driven by import compression and healthy growth in workers' remittances. Export volumes have been growing even though export values have remained subdued due to a fall in unit prices as also experienced by competitor exporting countries. Future developments in export performance will also depend on growth rates of our trading partners and progress in alleviating domestic structural impediments. GDP growth rate for FY 2019 remains at 3.3%.

## TEXTILE INDUSTRY OVERVIEW

Textile industry contributes 57% percent of total export volumes and 8.5% of the GDP of Pakistan. Annual Export figure closed last fiscal year at$25 Billion out of which $13.53 Billion was from Textiles. As reported by Pakistan Bureau of Statistics total textile exports remained $ 13.32 Billion for 11MFY19 as compared to $12.33 Billion in the same period last year. Out of which $731.326 million consists of towel export compared to $737.151 million for same period last year.

The performance of textile sector remained under stress during first three quarters of FY2019 as it declined by 0.3 percent against meager growth of 0.5 percent during the same period last year. The textile export data is relatively encouraging on account of its wide-ranging coverage than the LSM data as in addition to cotton yarn and fabrics, it also includes the higher value added items like hosiery, knitwear, towels and readymade garments. Cotton production declined by 17.5 percent, as compared to last year. This prevented the textile sector from taking full advantage of the recent bouts of exchange rate depreciation, as exports barely grew from last year's level. Higher production costs, especially the high cost of electricity, imported machinery and labor cost, amid depressed prices in the international market, have eaten into the margins of the industry. The government decision to bring five zero rated sectors under standard sales tax rate of 17 percent from July 1, 2019 may lead to 20-30 percent decline in exports. Discontinuation of no payment no refund regime may jam up the exporters' liquidity. However besides all this, the recent development in Pak-China FTA revision will likely be beneficial in increasing textile exports given that there is finally duty free access for Pakistan's exports in key segments much like ASEAN countries.

But skill development, modern production techniques, product diversification and new market development strategies need to be rolled out by major textile players.

## FINANCIAL PERFORMANCE OVERVIEW

2018-19 has marked a new aspiration for the Company as it witnessed the significant developments in the history of the Company. Feroze1888 achieved a new benchmark in terms of highest ever export sales revenue, which exceeded USD 200 million mark for the very first time and stood at USD 210.04 million i.e. Rs. 28.552 billion, 9% higher than last year in USD terms and 34.6% higher in Rupee terms. Profit before and after tax increased more than twofold that is remarkable. With a persistent focus on the base business, Feroze1888 is poised to continue with legacy of growth through its commitment to excellence, believe in quality and adherence to customer expectations.

Rs. in '000

| Profit and Loss Account for the Year Ended, | June 2019 | June 2018 |
|---|---|---|
| Sales- net | 29,243,547 | 21,775,447 |
| Cost of sales | (21,605,821) | (16,950,429) |
| Gross profit | 7,637,726 | 4,825,018 |
| Admin, distribution and other expenses | (3,309,250) | (2,653,811) |
| Other income | 2,048,510 | 718,671 |
| Finance cost | (155,892) | (85,729) |
| | (1,416,632) | (2,020,869) |
| Profit before taxation | 6,221,094 | 2,804,149 |
| Taxation | (231,284) | (52,052) |
| Profit after taxation | 5,989,810 | 2,752,097 |
| EPS | 15.90 | 7.30 |

Rs. in '000

| Statement of Financial Position As At, | June 2019 | June 2018 |
|---|---|---|
| Property, plant and equipment | 13,458,882 | 10,846,978 |
| Stock in trade | 6,411,087 | 3,892,270 |
| Trade debts | 7,629,994 | 5,191,492 |
| Advances, deposits, prepayments and other receivables | 1,604,581 | 2,143,315 |
| Share capital | 3,768,009 | 3,768,009 |
| Reserves | 16,335,440 | 12,399,195 |
| Trade and other payables | 4,910,688 | 3,701,919 |
| Short term borrowings | 6,490,000 | 2,550,000 |

Despite growing in□ationary pressures from rising input costs, hike in utilities' prices along with depressed economic environment continued to pose challenges for industrial production in the country, we at Feroze1888 managed to not only sustain but to outperform during the year. Our Continuous Improvement and Cost Smart initiatives are delivering substantial savings for the business. Feroze1888 also continues to invest in capacity enhancement, new and ef□cient technologies and raising the bar of skills set of its human resource, thus meeting the present and future requirements. We continue to collaborate and leverage from the capabilities of our employees, contractors and suppliers to ful□ll the requirements of our customers. The eventual target has always been to create better value for our customers and shareholders.

# STATEMENT UNDER CODE OF CORPORATE GOVERNANCE

The Board of Directors is committed to Good Corporate Governance and complying with relevant principles of Corporate Governance. As required under Code of Corporate Governance, the Directors are pleased to report that;

- The financial statements present fairly the state of affairs of the Company, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, & accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The Board of Directors understands its responsibility to ensure that adequate and effective internal financial controls are in place. It evaluates the compliance of internal control by reviewing the internal audit reports of internal audit department, which regularly reviews the design and effectiveness of controls. Deficiencies, if any, are reported to the board and corrective actions are taken.
- There is no significant doubt regarding the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of Corporate Governance;
- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director.
- The appointment of Chairman Board & other members, the terms of their appointment & the remuneration Policy (Director's fee) adopted are in the best interest of the Company as well as in line with the best practices.
- The disclosure of the remuneration of the Chief Executive and the Directors is covered under Note 29 of the attached financial statements.

The Board has formed the following two committees with defined terms of reference:

- Board Audit Committee (BAC); met 4 times during the year;
- Board Human Resource & Remuneration Committee (BHR&RC); met 2 times during the year.

## COMPOSITION OF BOARD OF DIRECTORS

In line with the requirements of the Code of Corporate Governance, the Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board.

The current composition of the Board as at June 30, 2019 is as follow:

| Total Number of Directors | Number |
|---|---|
| Male | 8 |
| Female | 1 |

| Composition | Number |
|---|---|
| Independent Directors | 2 |
| Other Non-Executive Directors | 6 |
| Executive Director | 1 |

## ATTENDANCE OF BOARD MEETINGS

During the year under review, six Board of Directors meetings, four Board Audit Committee meetings and two Board Human Resource & Remunerations Committee meetings were held. Attendance position is as under;

| Name of Directors | Board of Directors | Board Audit Committee | Board Human Resource & Remuneration Committee |
|---|---|---|---|
| Mr. Khaleequr Rahman* | 6/6 | 4/4 | 1/2 |
| Mr. Shabbir Ahmed** | 6/6 | N/M | 1/2 |
| Mr. Abdul Rehman Yaqub | 2/6 | N/M | N/M |
| Mr. Perwez Ahmed | 5/6 | 4/4 | N/M |
| Mr. Jonathan R.Simon | 6/6 | N/M | N/M |
| Mr. Nasim Hyder | 6/6 | 4/4 | 2/2 |
| Mr. Anas Rahman* | 2/6 | N/M | 1/2 |
| Ms. Huma Pasha*** | 4/6 | 1/4 | 1/2 |
| Mr. Asim Shabbir Patka | 4/6 | N/M | N/M |
| Mr. Usama Rehman | 4/6 | N/M | N/M |
| Mr. Rehan Rahman, CEO | 6/6 | 4/4 | N/M |

N/M: Not a Member

* Mr. Khaleequr Rahman and Mr. Anas Rahman retired on December 23, 2018 from Board Human Resource & Remuneration Committee membership.

** Mr. Shabbir Ahmed nominated as member of Board Human Resource & Remuneration Committee in board meeting held on February 23, 2019.

*** Ms. Huma Pasha nominated as member of Board Human Resource & Remuneration Committee and Board Audit Committee in board meeting held on February 23, 2019.

## CHANGES IN BOARD OF DIRECTORS

Mr.Abdul Rehman Yaqub and Mr. Anas Rahman retired on December 23, 2018. Ms. Huma Pasha, Mr. Asim Shabbir Patka and Mr. Usama Rehman were elected on December 15, 2018 at EOGM.

## ROLE OF CHAIRMAN OF THE BOARD OF DIRECTORS

Chairman acts as the custodian of the Company on behalf of the Board and stakeholders. The primary role of the Chairman is to ensure that the Board of Directors remains effective in its tasks of setting and implementing the Company's direction and strategy. The Chairman is responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors in fulfilling their responsibilities, including avoidance of conflicts of interest. The Chairman shall ensure that good relations are maintained with the Company's strategic stakeholders and their trust and confidence is maintained in the Company.

The Chairman represents the non-executive directors of the Board and is entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings.

## ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER

Chief Executive Officer is an executive director and responsible to act as the Head of the Company. CEO has the prime responsibility of driving for achievement of the Company's vision, mission and its long term goals. He acts as a link between the Board and management of the Company and communicates with the Board on behalf of the management. The CEO is responsible for day to day management of the Company's affairs and execution of long term strategy, plans and budgets to increase shareholders' value.

CEO also represents the Company to shareholders, government authorities and the public. He is the leader and decision maker who motivates employees, drives change within the Company and takes decisions to achieve targets. CEO ensures that the Company complies with all relevant laws and corporate governance principles and that these principles are recommended to and adopted by the Board to mitigate key risks. CEO also sets the ethical tone in providing ethical leadership and creating an ethical environment.

## PERFORMANCE EVALUATION OF THE DIRECTORS ON THE BOARD

Complying with Code of Corporate Governance, 2017 the Board has approved a comprehensive mechanism for evaluation of its performance. The Company has introduced a questionnaire covering the Board's scope, objectives, function and Company's performance and monitoring. All individual Board members answer the comprehensive questionnaire focused on evaluating, from various angles, whether the Board has discharged its duties diligently and with foresight. The Chairman of Board collates individual responses and presents them to the Board. This exercise allows the critical self-assessment of the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, assessing market trends by monitoring micro and macroeconomic factors and setting standards to respond the adverse unforeseen situations to further the cause of a learning organization.

This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Company to new heights of success is discharged effectively and efficiently.

## PERFORMANCE EVALUATION OF THE CHIEF EXECUTIVE OFFICER

It has been a regular practice of the Board Members to evaluate the performance of the CEO and their recommendations are put forward to the Chairman. The performance of the CEO is evaluated on the basis of both qualitative and quantitative attributes, including but not limited to, overall company's financial performance, goal setting, leadership compliance, effectiveness of Internal Control System and Governance.

## POLICY ON NON-EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION

In order to enhance value creation, Feroze1888 has implemented an independent, formal and transparent system for fixing Directors' remuneration to attract well qualified and experienced Directors. The system is in compliance with legal requirements and it is ensured that remuneration is not at a level that could be perceived to compromise the independence of non-executive Directors. As per the requirements of regulatory framework and internal procedures, these remuneration packages are subject to prior approval of the Board and no Director is involved in deciding their own remuneration.

## DIRECTORS' TRAINING

The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017, eight of our directors have attended and completed the required Directors' Training.

## RISK MANAGEMENT FRAMEWORK

The Company's business activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the management of unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### A) MARKET RISK:

The company is subject to risk of changes in prices of its primary raw materials i.e. cotton & yarn. This is managed by planning stock levels and purchasing through various sources at time and intervals found appropriate.

### B) CREDIT RISK:

The company is exposed to the risk of default of receivables against its sales. This is managed through proper due diligence of customers to whom credit is extended. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

## C) LIQUIDITY RISK

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company has arranged working capital with various banks to cater the mismatch between receipts of sales and payments for purchases, meet its obligations and ensure normal business operations.

The Company's board of directors and senior management oversee the management of the above risks. The Company's senior management provides policies for overall risk management and for covering specific areas as use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Our CSR commitment is inspired and governed by our desire to create an environment in which we contribute to build a Sustainable Company. We seek to act responsibly in everything we do. We are committed to responsible business practices, both within the company and throughout our chain of partners and suppliers. We have embraced our responsibility to build the communities we serve, even as we respond to an ever-changing business and regulatory environment. Our primary CSR focus areas are;

- Education
- Health, safety and environment
- Conservation of resources
- Quality of business processes
- Capacity building and Human Resource Development
- Business ethics and anti-corruption

Throughout our growth strategy, sustainable operations remain at the core of our business philosophy. We continue to work with our stakeholders in different areas and strive to decrease our carbon footprint through inclusion of world class environmental standards throughout our operations. We are proud of our commitment to environment and sustainability, health and safety, quality of our operations and our people.

## APPOINTMENT OF AUDITORS

The auditors M/s Ernst & Young Ford Rhodes, Chartered Accountants, retires and being eligible, have offered them for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2019-20.

## PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2019, required under the Companies Act 2017, and the Code of Corporate Governance, is annexed to this report.

## DIVIDEND AND APPROPRIATION

During the year, an interim dividend of Rs. 3 per share @ 30% has been declared. In addition to this, keeping in view the financial results of the Company, the Board of Directors of the Company has proposed a final cash dividend @33.5% i.e., Rs. 3.35 per share for all shareholders of the Company. This is to be approved by shareholders in Annual General Meeting of the Company.

## SUBSIDIARY COMPANY

During the year, the shareholders of Feroze1888 through special resolution in annual general meeting held on October 27, 2018, approved the voluntary winding up of its subsidiary, Xublimity (Private) Limited, a subsidiary company with 76% shareholding of Feroze1888 Mills Limited, and in this respect a liquidator was appointed with effect from November 05, 2018. All the relevant legal formalities and filing requirements as required under the Companies Act, 2017 were fulfilled on March 29, 2019. The same has been acknowledged and registered by SECP through letter dated April 18, 2019 and subsidiary company, Xublimity (Private) Limited, shall stand dissolved after 90 days of the said letter.

## FUTURE OUTLOOK

The economic outlook in Pakistan is challenging, and it encompasses significant downside risks. Growth is projected to decelerate in FY19 and FY20, as the government tightens fiscal and monetary policies. As macroeconomic conditions improve, and a package of structural reforms in fiscal management and competitiveness is implemented, growth is expected to recover from FY21 onwards. Together with the macroeconomic adjustments, there is an urgent need to implement structural reforms to support the growth rebound. Reforms to put the country on a stable growth path include increased exchange rate flexibility, improved competitiveness and lower cost of doing business. On the revenue front, reforms to improve tax administration, widen the tax base and facilitate tax compliance are critical.

Recent Trade war between USA and China together with protest against low wages in Bangladesh is blessing in disguise for value added segment of Pakistan, as buyers of textile products across the globe are thinking to diversify their supplier countries. This is a high time for textile sector in Pakistan to shift towards value added products to get more share of export with better margins.

## ACKNOWLEDGEMENT AND APPRECIATION

At Feroze1888, our strategic and enduring relationship with the customers is our asset. Our customer focused mindset is the main spirit behind meeting new challenges and achieving excellence in customer experience. We also believe that adherence to our core values is vital for sustainable business success and continuous improvement. Our values always remain an essential part of our culture.

We are proud of our commitment to excellence in product safety, quality and providing value added solutions to our customers to grow our business and sustain customer con□dence. We acknowledge and appreciate the efforts of the employees and valuable support of our customers, financial institutions, shareholders and members of the board of directors.

for and behave of the board of directors

**REHAN RAHMAN**
CHIEF EXECUTIVE OFFICER

**ASIM SHABBIR PATKA**
DIRECTOR

**KARACHI**
DATE - 06 SEPTEMBER, 2019

## مالیاتی کارکردگی کا جائزہ

مالی سال ۱۹-۲۰۱۸ کمپنی کے لیے نئی امیدوں کا سال ثابت ہوا ہے کیونکہ اس دوران کمپنی کی تاریخ میں کئی قابل ذکر پیش رفت سامنے آئی ہے۔ برآمدات سے حاصل ہونے والی آمدنی کمپنی کی تاریخ میں پہلی بار 200 ملین ڈالر کی حد کو عبور کرتے ہوئے 210.04 ملین ڈالر یعنی 28.552 ارب روپے تک جا پہنچی، جو کہ ڈالر کے لحاظ سے 9 فی صد اور روپے کے لحاظ سے 34.6 فیصد کا اضافہ ہے۔ قبل از ٹیکس اور بعد از ٹیکس منافع میں دگنا اضافہ ہوا، جو کہ قابل ذکر کامیابی ہے۔ بنیادی کاروبار پر غیر متزلزل توجہ کے ساتھ، فیروز ۱۸۸۸ لمیٹڈ اپنی شان، معیار میں یقین اور صارفین کی توقعات پر پورا اترنے کے وعدے کے ساتھ ترقی کی روایت برقرار رکھے گی۔

Rs. In '000

| Profit and Loss Account for the Year Ended, | June 2019 | June 2018 |
|---|---|---|
| Sales- net | 29,243,547 | 21,775,447 |
| Cost of sales | (21,605,821) | (16,950,429) |
| Gross profit | 7,637,726 | 4,825,018 |
| Admin, distribution and other expenses | (3,309,250) | (2,653,811) |
| Other income | 2,048,510 | 718,671 |
| Finance cost | (155,892) | (85,729) |
| | (1,416,632) | (2,020,869) |
| Profit before taxation | 6,221,094 | 2,804,149 |
| Taxation | (231,284) | (52,052) |
| Profit after taxation | 5,989,810 | 2,752,097 |
| EPS | 15.90 | 7.30 |

Rs. In '000

| Statement of Financial Position As At, | June 2019 | June 2018 |
|---|---|---|
| Property, plant and equipment | 13,458,882 | 10,846,978 |
| Stock in trade | 6,411,087 | 3,892,270 |
| Trade debts | 7,629,994 | 5,191,492 |
| Advances, deposits, prepayments and other receivables | 1,604,581 | 2,143,315 |
| Share capital | 3,768,009 | 3,768,009 |
| Reserves | 16,335,440 | 12,399,195 |
| Trade and other payables | 4,910,688 | 3,701,919 |
| Short term borrowings | 6,490,000 | 2,550,000 |

پیداواری خام مال، اور مایوس کن معاشی ماحول کے ساتھ یوٹیلیٹیز کی بڑھتی قیمتیں صنعتی پیداوار کے لیے بڑے چیلنجز ہیں، تاہم مہنگائی کے مجموعی ماحول کے باوجود، ہم نے نہ صرف اپنی پوزیشن کو برقرار رکھا بلکہ گزشتہ سال کے مقابلے میں بہتر کارکردگی دکھائی۔ مسلسل بہتری میں یقین اور لاگت میں کمی کے اقدامات کے باعث کمپنی کو قابل ذکر بچت ہوئی۔ فیروز ۱۸۸۸، استعداد میں اضافے، نئی اور مؤثر ٹیکنالوجیز اور افرادی قوت کا معیار بلند کرنے کے لیے سرمایہ کاری جاری رکھے ہوئی ہے اور اس طرح ہم حال اور مستقبل کی ضروریات پوری کر رہے ہیں۔ ہم اپنے صارفین کی ضروریات پوری کرنے کے لیے اپنے ملازمین، ٹھیکیداروں اور فراہم کنندگان کے ساتھ مل کر اپنی استعداد کو استعمال میں لا رہے ہیں۔ ہمارا حتمی ہدف ہمیشہ اپنے صارفین اور حصص گزاروں کے لیے بہتر قدر (Value) تخلیق کرنا رہا ہے۔

# ڈائریکٹرز رپورٹ

فیروز۱۸۸۸ملزلمیٹڈ (کمپنی) کے مجلس نظماء، بہ مسرت کمپنی کے برائے اختتام سال ۳۰ جون ۲۰۱۹، اختتام شدہ مالیاتی گوشوارے بشمول آڈیٹرز رپورٹ پیش کرتے ہیں۔

## پاکستان کا معاشی منظر نامہ

مالی سال ۱۹-۲۰۱۸ کے دوران غیر یقینی معاشی حالات غالب رہے جس کی وجہ دنیا کی مجموعی معاشی سست روی، امریکہ اور چین کے مابین ترقیاتی تجارتی و ٹیرف پالیسی کا تنازعہ اور بریگزٹ(Brexit) سے متعلق پیدا ہونے والی صورتحال ہے۔ اس مجموعی عالمی سست روی کے ساتھ پاکستان میں حالیہ اقتدار کی منتقلی اور انتخابات کے بعد نا موافق حالات نے پاکستانی معیشت کو بری طرح متاثر کیا جس کی وجہ سے کاروباری اعتماد اور معاشی استحکام میں واضح کمی کی اشارے(Indicators) ملے ہیں۔

پاکستان کی معیشت وقفے وقفے سے ترقی اور سست روی کے مراحل سے گزرتی رہی ہے۔ عموی طور پر ہر 3-4 سال تک جاری رہنے والی نسبتاً بلند شرح نمو کے بعد ملکی معیشت کو میکرو اکنامک بحران کا سامنا کرنا پڑتا ہے، جس کے نتیجے میں معاشی استحکام کے پروگرام کی ضرورت پیش آتی ہے۔ مستحکم اور تیز رفتار معاشی نمو حاصل نہ کرنے کی وجہ ڈھانچہ جاتی مسائل ہیں، جن پر موثر زری اور مالیاتی اقدامات کے ذریعے قابو پا کر ہی میکرو اکنامک استحکام حاصل کیا جا سکتا ہے۔ روپے کی قدر میں کمی، اور شرح سود میں اضافے کے نتیجے میں مہنگائی بڑھنے کے باعث پورے سال کے دوران غیر یقینی صورت حال کا سامنا رہا۔ دوست ممالک سے مالی مدد، براہ راست غیر ملکی سرمایہ کاری کے لیے کیے جانے والے حالیہ معاہدوں اور آئی ایم ایف بیل آؤٹ پیکیج کے بعد، اب یہ توقع کی جا رہی ہے کہ معیشت دوبارہ تحریک پکڑے گی۔ مالی سال ۱۹-۲۰۱۸ کے جولائی-مئی کے عرصے میں کرنٹ اکاؤنٹ خسارہ 29.3 فی صد کم ہو کر 12.7 ارب ڈالر پر آ گیا ہے، جو کہ اس سے پچھلے سال کے اسی عرصے میں 17.9 ارب ڈالر تھا۔ اس قابل ذکر بہتری کی وجہ درآمدات میں کمی لانا اور سمندر پار پاکستانیوں کی جانب سے بھیجی جانے والی ترسیلات زر میں خاطر خواہ اضافہ ہے۔ برآمداتی حجم میں اضافہ ہو رہا ہے حالانکہ برآمدات کی مالیت میں قابل ذکر اضافہ نہیں ہوا، جس کی وجہ ان کی قیمتوں میں کمی آنا ہے اور برآمدات کرنے والے دیگر حریف ملکوں کو بھی اسی صورت حال کا سامنا رہا ہے۔ مستقبل میں برآمدات میں اضافے کا دارومدار ہمارے ساتھ تجارت کرنے والے ملکوں میں معاشی ترقی کی شرح اور مقامی ڈھانچہ جاتی رکاوٹوں کو ختم کرنے پر رہے گا۔ مالی سال ۲۰۱۹ میں ملکی معاشی ترقی کی شرح 3.3 فی صد رہی ہے۔

## ٹیکسٹائل صنعت کا جائزہ

مجموعی برآمداتی حجم اور پاکستان کی مجموعی ملکی پیداوار میں ٹیکسٹائل صنعت کا حصہ بالترتیب 57 فی صد اور 8.5 فی صد ہے۔ گزشتہ مالی سال پاکستان کی مجموعی برآمدات کی مالیت 25 ارب ڈالر رہی، جس میں 13.32 ارب ڈالر کا حصہ ٹیکسٹائل کا رہا۔ پاکستان ادارہ شماریات کے مطابق، مالی سال ۲۰۱۹ کے 11 ماہ میں پاکستان کی ٹیکسٹائل برآمدات کی مالیت 13.32 ارب ڈالر رہی، جو کہ گزشتہ سال کے اسی عرصے میں 12.33 ارب ڈالر تھی۔ اس میں 731.326 ملین ڈالر تولیے کی برآمدات سے حاصل ہوئے، جب کہ گزشتہ سال اس سے 737.151 ملین ڈالر حاصل ہوئے تھے۔

مالی سال ۲۰۱۹ کی پہلی تین سہ ماہیوں میں ٹیکسٹائل سیکٹر کی کارکردگی متاثر کن نہیں رہی اور اس میں 0.3 فی صد کی آئی جبکہ گزشتہ سال اسی عرصے میں 0.5 فی صد اضافہ ہوا تھا۔ لارج اسکیل مینوفیکچرنگ کے مقابلے میں ٹیکسٹائل برآمدات کے اعداد و شمار نسبتاً حوصلہ افزا ہیں، کیونکہ اس میں کاٹن یارن اور فیبرکس کے علاوہ دیگر بیش قدر مصنوعات جیسے ہوزری، نٹ ویئر، تولیے اور ریڈی میڈ گارمنٹس شامل ہیں۔ گزشتہ سال کے مقابلے میں کپاس کی پیداوار میں 17.5 فی صد کمی ہوئی۔ اس کے باعث ٹیکسٹائل سیکٹر شرح تبادلہ میں ہونے والی حالیہ کمی سے پوری طرح فائدہ اٹھانے میں ناکام رہا کیونکہ برآمدات میں گزشتہ سال کے مقابلے میں بمشکل ہی کوئی اضافہ ہوا۔ بلند پیداواری لاگت، خصوصاً بجلی، درآمدی مشینری اور لیبر کی لاگت میں اضافے اور بین الاقوامی منڈیوں میں کم قیمت نے انڈسٹری کے منافع کی شرح کو متاثر کیا ہے۔ یکم جولائی ۲۰۱۹ سے حکومت کی جانب سے پانچ زیرو ریٹڈ برآمدی سیکٹرز پر سیلز ٹیکس کی معیاری 17 فی صد کی شرح نافذ کرنے کے نتیجے میں برآمدات میں 30-20 فی صد تک کمی آ سکتی ہے۔ ری فنڈ ادائیگی کے نظام کو ختم کرنے کے نتیجے میں برآمد کنندگان کا پیسہ پھنس جانے کا خدشہ بڑھ گیا ہے۔ البتہ، ان سب معاملات کے باوجود، پاک-چین آزادانہ تجارت کے معاہدے پر از سر نو جائزے کا ٹیکسٹائل برآمدات پر مثبت اثر پڑے گا بشرطیکہ پاکستان کی برآمدات کو آسیان ممالک (Asean Countries) میں ڈیوٹی فری رسائی مل جائے۔ تاہم، تمام بڑے ٹیکسٹائل برآمد کنندگان کی طرف سے ہنر مندی میں بہتری، پیداوار کی جدید تکنیکوں، مصنوعات میں تنوع اور نئی منڈیاں تلاش کرنے کا لائحہ عمل ترتیب دینے کی ضرورت ہے۔

## بورڈ اجلاسوں کی حاضری کی تفصیل

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے 6 اجلاس، بورڈ آڈٹ کمیٹی کے 4 اجلاس، اور بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی کے 2 اجلاس ہوئے۔ ان اجلاسوں میں حاضری کی تفصیل درج ذیل میں دی جا رہی ہے:

| ڈائریکٹرز کا نام | بورڈ آف ڈائریکٹرز | بورڈ آڈٹ کمیٹی | بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی |
|---|---|---|---|
| جناب خلیق الرحمان* | 6/6 | 4/4 | 1/2 |
| جناب شبیر احمد** | 6/6 | رکن نہیں | 1/2 |
| جناب عبدالرحمان یعقوب | 2/6 | رکن نہیں | رکن نہیں |
| جناب پرویز احمد | 5/6 | 4/4 | رکن نہیں |
| جناب جوناتھن آر سائمن | 6/6 | رکن نہیں | رکن نہیں |
| جناب نسیم حیدر | 6/6 | 4/4 | 2/2 |
| جناب انس رحمان* | 2/6 | رکن نہیں | 1/2 |
| محترمہ ہما پاشا*** | 4/6 | 1/4 | 1/2 |
| جناب عاصم شبیر پانکا | 4/6 | رکن نہیں | رکن نہیں |
| جناب اسامہ رحمان | 4/6 | رکن نہیں | رکن نہیں |
| جناب ریحان رحمان | 6/6 | 4/4 | رکن نہیں |

* جناب خلیق الرحمان اور جناب انس رحمان ۲۳ دسمبر ۲۰۱۸ کو بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی کی رکنیت سے ریٹائر ہو گئے۔
** جناب شبیر احمد کو ۲۳ فروری ۲۰۱۹ کو ہونے والے بورڈ اجلاس میں بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی کا رکن نامزد کیا گیا۔
*** محترمہ ہما پاشا کو ۲۳ فروری ۲۰۱۹ کو ہونے والے بورڈ اجلاس میں بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی اور بورڈ آڈٹ کمیٹی کا رکن نامزد کیا گیا۔

## مجلس نظماء میں تبدیلیاں

جناب عبدالرحمان یعقوب اور جناب انس رحمان ۲۳ دسمبر ۲۰۱۸ کو ریٹائر ہو گئے۔ محترمہ ہما پاشا، جناب عاصم شبیر پانکا اور جناب اسامہ رحمان کا انتخاب ۱۵ دسمبر ۲۰۱۸ کو ہونے والے غیر معمولی اجلاس عام میں عمل میں آیا۔

## بورڈ آف ڈائریکٹرز کے چیئرمین کا کردار

چیئرمین بورڈ اور اسٹیک ہولڈرز کی جانب سے کمپنی کے نگران کے طور پر کام کرتا ہے۔ چیئرمین کا بنیادی کردار اس امر کو یقینی بنانا ہے کہ بورڈ آف ڈائریکٹرز، اپنے ٹاسکس کی تیاری اور کمپنی کی سمت اور حکمت عملی کی تکمیل میں موثر کردار ادا کرے۔ چیئرمین، بورڈ کمیٹیز اور انفرادی طور پر ڈائریکٹرز کی اپنی ذمہ داریوں کو پورا کرنے میں اثر کے ضمن میں جائزہ اور سفارشات تیار کرنے بشمول مفاد کے تنازع سے احتراز کیلئے ذمہ دار ہے۔ چیئرمین یہ یقینی بنائے گا کہ کمپنی کے تزویراتی اسٹیک ہولڈرز سے عمدہ روابط، بھروسہ اور اعتماد برقرار رہے۔

چیئرمین بورڈ کے نان ایگزیکٹوز ڈائریکٹرز کی نمائندگی کرتا ہے اور بورڈ کی کاروائیوں کی جملہ نگرانی اور ہدایت کا ذمہ دار ہے اور اسے ایجنڈا ترتیب دینے، ہدایات دینے اور بورڈ میٹنگز کی کاروائیوں پر دستخط کرنے کا اختیار حاصل ہے۔

## کوڈ آف کارپوریٹ گورنس کے تحت بیان

مجلسِ نظماء، اچھی کارپوریٹ گورنس اور اس سے جڑے قوانین پر عمل پیرا ہے۔ کارپوریٹ گورنس کی لاگو شرائط کے تحت نظماء، مسرت کے ساتھ رپورٹ کرتے ہیں کہ:

- مالیاتی گوشواروں میں کمپنی کے معاملات، آپریشنز کے نتائج، رقوم کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف اور مکمل طور پر پیش کیا گیا ہے۔
- کمپنی کے حسابات کے لیے کھاتوں کو باقاعدہ اور درست طور پر مرتب کیا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کیے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل درآمد کیا گیا ہے۔
- مجلسِ نظماء، مناسب اور موثر اندرونی مالیاتی کنٹرول کے نظام کو یقینی بنانے کی ذمہ داری بخوبی سمجھتی ہے، یہ انٹرنل آڈٹ ڈیپارٹمنٹ کی اندرونی اشتمالی رپورٹس کا جائزہ لے کر ان پر عمل درآمد کی جانچ پڑتال کرتی ہے، جس میں ان کنٹرولز کے ڈیزائن اور موثر ہونے کا باقاعدگی سے جائزہ پیش کیا جاتا ہے۔ کوتاہیوں، اگر کوئی ہوں تو، سے متعلق مجلسِ نظماء کو آگاہ کیا جاتا ہے اور انھیں درست کرنے کے مناسب اقدامات کیئے جاتے ہیں۔
- کوئی قابلِ ذکر وجہ نہیں ہے کہ کمپنی کی موجودہ حیثیت میں کام جاری رکھنے کی اہلیت اور صلاحیت پر کوئی شک وشبہ کیا جائے۔
- کسی بھی جگہ کارپوریٹ گورنس کے بہترین اصولوں سے انحراف نہیں کیا گیا۔
- کمپنی کی ایک آڈٹ کمیٹی ہے، جس کے اراکین مجلسِ نظماء سے ہیں اور چیئرمین ایک آزاد ڈائریکٹر ہیں۔
- چیئرمین بورڈ اور دیگر اراکین کا تقرر، ان کے تقرر کی شرائط اور مشاہرہ پالیسی (ڈائریکٹرز کا معاوضہ) کمپنی کے بہترین مفاد میں اور بہترین اصولوں کے مطابق ہے۔
- چیف ایگزیکٹو اور ڈائریکٹرز کا مشاہرہ منسلک مالیاتی گوشواروں میں نوٹ 29 کے نیچے بیان کیا گیا ہے۔

بورڈ نے واضح کردہ ٹرمز آف ریفرنس کے تحت درج ذیل دو کمیٹیاں تشکیل دی ہیں:

- بورڈ آڈٹ کمیٹی (بی اے سی): سال بھر میں 4 اجلاس ہوئے
- بورڈ ہیومن ریسورس اینڈ ریمیونریشن کمیٹی (بی ایچ آر اینڈ آر سی): سال بھر میں 2 اجلاس ہوئے۔

## مجلسِ نظماء کی تشکیل

کوڈ آف کارپوریٹ گورنس کی ضروریات کے مطابق، کمپنی آزاد اور نان-ایگزیکٹو ڈائریکٹرز کے ساتھ ساتھ، بورڈ پر صنفی تنوع کی نمائندگی کی حوصلہ افزائی کرتی ہے۔

۳۰ جون ۲۰۱۹ کے مطابق، بورڈ کی موجودہ تشکیل درج ذیل کے مطابق ہے:

| ڈائریکٹرز | تعداد | کمپوزیشن | تعداد |
|---|---|---|---|
| مرد | 8 | آزاد ڈائریکٹرز | 2 |
| خواتین | 1 | دیگر نان-ایگزیکٹو ڈائریکٹرز | 6 |
| | | ایگزیکٹو ڈائریکٹر | 1 |

### رسک مینجمنٹ فریم ورک

کمپنی کی کاروباری سرگرمیاں ایک کثیر الجہتی مالیاتی خدشات یعنی مارکیٹ رسک، کریڈٹ رسک اور تحلیل رسک کی زد میں ہوتی ہے کمپنی کی پوری رسک مینجمنٹ فنانشل مارکیٹس کی غیر یقینی صورتحال کے انتظام پر توجہ مرکوز رکھتی ہے اور کمپنی کی مالیاتی کارگزاری پر ممکنہ نقصان دہ اثرات کو کم سے کم کرنے کی کوشش کرتی ہے۔

### اے) مارکیٹ رسک

کمپنی اپنے بنیادی خام مال یعنی کاٹن اور یارن کی قیمتوں میں تبدیلیوں کے خدشہ کے خطرے میں رہتی ہے اس خطرے سے اسٹاک لیولز کی منصوبہ بندی اور موزوں پائے جانے والے وقت اور وقفوں میں متعدد ذرائع کے توسط سے خریداری کے ذریعہ نمٹا جاتا ہے۔

### بی) کریڈٹ رسک

کمپنی اپنی سیلز کے تحت ریسیوایبلز کی ادائیگی میں خطرات دوچار رہتی ہے۔ لہذا کسٹمرز کا مناسب کوشش کے ذریعے جائزہ لیا جاتا ہے جسے قرضہ دیا جارہا ہو۔ کمپنی صرف ان کسٹمرز پر غور کرتی ہے جن کی ساکھ اچھی ہو اور سیکورٹیز جہاں قابل اطلاق ہو۔

### سی) لیکیویڈٹی رسک

کمپنی کافی کیش برقرار رکھنے اور کمیٹڈ کریڈٹ فیسلیٹیز کی ایک موزوں رقم کے ذریعہ فنڈز کی دستیابی کے دانشمندانہ طریقے سے لیکیویڈٹی رسک مینجمنٹ کا اطلاق کرتی ہے۔ کمپنی نے اپنی ضروریات کو پورا کرنے اور عمومی کاروباری عوامل کو یقینی بنانے کیلئے سیلز کی وصولیوں اور خریداریوں کی ادائیگیوں کے درمیان ناموزوں فرق کو پورا کرنے کیلئے متعدد بینکس کے ساتھ ورکنگ کیپٹل کا انتظام کیا ہوا ہے۔

کمپنی کا بورڈ آف ڈائریکٹرز اور سینئر مینجمنٹ مندرجہ بالا خطرات سے بچاؤ کے انتظامات کی نگرانی کرتے ہیں۔ کمپنی کی سینئر مینجمنٹ جملہ رسک مینجمنٹ کیلئے اور مخصوص ایریاز کا احاطہ کرنے کیلئے فنانشل derivatives، فنانشل انسٹرومینٹس اور زائد لیکیویڈیٹی کے تحفظ کے لیے طریقہ کار وضع کرتی ہے۔ یہ کمپنی کی پالیسی ہے کہ قیاس پر مبنی اور کسی قسم کی غیر یقینی تجارتی سرگرمی انجام نہ دی جائے۔

### تحفظ پسندانہ اور کارپوریٹ سماجی ذمہ داری

ہمارے CSR کی ایک ایسا ماحول پیدا کرنے کی خواہش جس میں ہم تحفظ پسندانہ کمپنی کی تعمیر کے لیے اپنا حصہ ڈال سکیں اور اسی جذبہ سے مامور اور متعین ہیں۔ اس ضمن میں ہم وہ کچھ کرنے کے ذمہ دار ہیں جو ہم کر سکتے ہیں۔ ہم کمپنی کے اندر، پاٹنرز اور سپلائرز کی ہماری چین میں کاروباری پریکٹسز پر عملدرآمد کرنے کی ذمہ داری کے پابند ہیں۔ ہم ہمہ وقت ہونے والی کاروباری تبدیلیوں اور امور کے باوجود کمیونٹیز کی خدمت اور تعمیر کی ذمہ داری کو خوشدلی سے قبول کرتے ہیں۔ ہمارے ارتکاز کے بنیادی شعبہ جات یہ ہیں۔

- تعلیم
- صحت، سیفٹی اور ماحول
- وسائل کا تحفظ
- بزنس پروسیسز کا معیار
- کپیسٹی بلڈنگ اینڈ ہیومن ریسورس ڈیولپمنٹ
- بزنس ایتھکس اینڈ اینٹی کرپشن

ہماری ترقی کی حکمت عملی کے دوران سسٹین ایبل آپریشنز ہماری بزنس فلاسفی کا مرکز رہا ہے۔ ہم مختلف ایریاز میں اپنے اسٹیک ہولڈرز کے ساتھ کام کو جاری کئے ہوئے ہیں اور اپنے پورے آپریشنز کے دوران ورلڈ کلاس ماحولیاتی معیار کی شمولیت کے ذریعہ اپنے کاربن فٹ پرنٹ کو کم کرنے کی کوشش کر رہے ہیں ہم ماحول اور تحفظ پسندی، اپنے آپریشنز اور اپنے عوام کی صحت و سیفٹی ،معیار کے اپنے وعدے کے ضمن میں فخر محسوس کرتے ہیں۔

## چیف ایگزیکیٹو آفیسر کا کردار اور ذمہ داریاں

چیف ایگزیکیٹو آفیسر ایک ایگزیکیٹو ڈائریکٹر ہے اور کمپنی کے سربراہ کے طور پر کام کرتا ہے، CEO کی بنیادی ذمہ داری کمپنی کے وژن، مشن اور اسکے طویل المدتی مقاصد کیلئے کوشش کرنا ہے۔ وہ بورڈ اور کمپنی انتظامیہ کے درمیان رابطہ کار کے طور پر کام کرتا ہے اور انتظامیہ کی جانب سے بورڈ سے رابطہ میں رہتا ہے۔CEO، کمپنی کے معاملات کا معمول کے مطابق انتظام اور حصص یافتگان کی قدر میں اضافہ کیلئے طویل المدتی حکمت عملی، منصوبوں اور پالیسیوں کی تعمیل کے لئے ذمہ دار ہے۔

CEO، حصص یافتگان، سرکاری حکام اور عوام کیلئے بھی کمپنی کی نمائندگی کرتا ہے، وہ ایسا سربراہ اور فیصلہ ساز ہے جو ملازمین کو متحرک کرتا ہے کمپنی میں تبدیلی کے لیے کوشش اور اہداف کے حصول کے لئے فیصلے کرتا ہے۔CEO یقینی بناتا ہے کہ کمپنی تمام متعلقہ قوانین اور کارپوریٹ گورننس کے اصولوں کی تعمیل کرے اور یہ کہ کلیدی خطرات کی تخفیف کیلئے بورڈ کی جانب سے جن اصولوں کی سفارش ہے وہ اختیار کئے گئے ہیں۔CEO، اعلیٰ قیادت فراہم کرنے اور بہترین ماحول پیدا کرنے میں اعلیٰ خراج بھی تیار کرتا ہے۔

## بورڈ کے ڈائریکٹرز کی کارگذاری کی جانچ

کارپوریٹ گورننس ۲۰۱۹ کے ضوابط کی تعمیل میں بورڈ نے اپنی کارگذاری کی جانچ کیلئے ایک جامع میکانزم منظور کیا ہے۔ کمپنی نے بورڈ کے دائرہ کار، مقاصد طریقہ کار اور کمپنی کی کارگذاری اور نگرانی کا احاطہ کرنے والا ایک سوالنامہ متعارف کرایا ہے۔ بورڈ اراکین کا ہر فرد مختلف زاویوں سے جانچ کرنے پر توجہ مرکوز کرتے ہوئے جامع سوالنامہ کا جواب دیتا ہے کہ آیا بورڈ نے اپنی ڈیوٹیز مستعدی اور دور بینی سے انجام دی ہیں۔ بورڈ کا چیئرمین فرد کے جوابات کو جانچتا ہے اور انہیں بورڈ کو پیش کرتا ہے یہ مشق بورڈ کی اپنی کارگذاری جانچنے موثر حکمت عملیاں ترتیب دینے، کنٹرول پروسیز اختراع کرنے، مائیکرو اور میکرو اکنامک فیکٹرز کی نگرانی کے ذریعے مارکیٹ رجحانات کے جائزہ اور مخالفانہ غیر متوقع صورتحال سے نمٹنے کے لئے معیارات ترتیب دینے میں اہم خود احتسابی ہوتی ہے جو باخبر ادارہ کے طور پر مزید بروئے کار آتا ہے۔ یہ عمل اس امر کو بھی یقینی بناتا ہے کہ بورڈ مستقلاً دانش مندانہ طریقے سے نمو پا رہا ہے اور کمپنی کو کامیابی کی نئی بلندیوں تک لے جانے کی ذمہ داریوں کو موثر طور پر اور اہلیت کے ساتھ ادا کر رہا ہے۔

## چیف ایگزیکیٹو آفیسر کی کارگذاری کی جانچ

CEO کی کارکردگی کی جانچ کیلئے بورڈ اراکین باقاعدہ زیر عمل رہتے ہیں اور چیئرمین کو اپنی سفارشات پیش کرتے ہیں،CEO کی کارکردگی بشمول صفاتی اور مقداری دونوں کی بنیاد پر لیکن ان تک محدود نہیں کمپنی کی کل مالیاتی کارگذاری، مقصد کا تعین تکمیل قیادت، اندرونی کنٹرول سسٹم اور گورننس کی تاثیر کی بنیاد پر جانچی جاتی ہے۔

## نان-ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہرہ پر پالیسی

قدر کی تخلیق (Value creation) میں اضافہ کے ضمن میں، فیروز ۱۸۸۸ نے اعلیٰ قابلیت کے حامل اور تجربہ کار ڈائریکٹرز کو راغب کرنے کیلئے ڈائریکٹرز کا مشاہرہ مقرر کرنے کیلئے ایک خود مختار اصولی اور شفاف نظام تشکیل دیا ہے۔ سسٹم قانونی شرائط کی تعمیل میں ہے اور یہ یقینی بناتا ہے کہ مشاہرہ اس سطح کا نہ ہو جو نان-ایگزیکٹو ڈائریکٹرز کی خود مختاری پر اثر انداز ہو۔ ریگولیٹری فریم ورک اور اندرونی طریقوں کی شرائط کے مطابق مشاہرہ پیکیجز بورڈ کی قبل ازیں منظوری سے مشروط ہیں اور کسی ڈائریکٹرز کو اپنے ذاتی مشاہرہ کا فیصلہ کرنے میں شامل نہیں کیا جاتا ہے۔

## ڈائریکٹرز ٹریننگ

بورڈ کے ڈائریکٹرز کارپوریٹ لاز اور لسٹنگ، ریگولیشنز کے ذریعے تجویز کردہ اپنی ڈیوٹیز اور ذمہ داریوں سے بخوبی آگاہ ہیں، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، ۲۰۱۹ کے مندرجات کی تعمیل میں ہمارے آٹھ ڈائریکٹرز نے مطلوبہ ڈائریکٹرز ٹریننگ حاصل کی ہے۔

ہم اپنے کاروبار کو فروغ دینے اور صارفین کے اعتماد کو برقرار رکھنے کیلئے اپنے صارفین کو پروڈکٹ سیفٹی، کوالٹی اور ویلیو ایڈیڈ سلوشنز فراہم کرنے کے لئے اپنے وعدے کے ضمن میں فخر محسوس کرتے ہیں۔ ہم ملازمین کی کوششوں اور اپنے صارفین، مالیاتی اداروں، شیئر ہولڈرز اور بورڈ آف ڈائریکٹرز کے ممبران کے گرانقدر تعاون کو تسلیم کرتے ہیں اور قدر کی نگاہ سے دیکھتے ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

ریحان رحمان
چیف ایگزیکٹو آفیسر

عاصم شبیر پاڑکا
ڈائریکٹر

کراچی
تاریخ: ۶ ستمبر ۲۰۱۹

## آڈیٹر کا تقرر

آڈیٹرز میسرز ارنسٹ اینڈ ینگ فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہل ہونے کی بناء پر خود کو دوبارہ تقرر کیلئے پیش کر رہے ہیں۔ آڈٹ کمیٹی نے سال ۲۰۱۹-۲۰ کیلئے کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے۔

## شیئر ہولڈنگ کا طریقہ:

۳۰ جون ۲۰۱۹ کے مطابق شیئر ہولڈنگ کا طریقہ کمپنیز ایکٹ ۲۰۱۷ کے تحت درکار ہے اور کارپوریٹ گورننس کو کور رپورٹ ہذا سے منسلک ہے

## منافع منقسمہ اور تعرف:

سال ہذا کے دوران -/3 روپے فی شیئر کے حساب 30% عبوری منافع منقسمہ کا اعلان کیا گیا ہے۔ علاوہ ازیں اس کے کمپنی کے مالیاتی نتائج کے پیش نظر کمپنی کے بورڈ آف ڈائریکٹرز نے کمپنی کے تمام شیئر ہولڈرز کیلئے بشرح 33.5% یعنی 3.35 روپے فی شیئر کا حتمی نقد منافع منقسمہ کا اعلان کیا ہے۔ اس کی منظوری شیئر ہولڈرز کمپنی کے سالانہ اجلاس عام میں دیں گے۔

## ذیلی کمپنی

سال ہذا کے دوران فیروز ۱۸۸۸ ملز لمیٹڈ کے حصص یافتگان نے ۲۷ اکتوبر ۲۰۱۸ کو منعقدہ سالانہ عمومی اجلاس میں خصوصی قرارداد کے ذریعہ اس کی ماتحت کمپنی Xublimity (پرائیویٹ) لمیٹڈ کو رضا کارانہ طور پر وائنڈنگ اپ کرنے کی منظوری دی، جو کہ فیروز ۱۸۸۸ ملز لمیٹڈ کے 76 فیصد حصص یافتہ کمپنی ہے۔ اس ضمن میں ۵ نومبر ۲۰۱۸ سے ایک لیکویڈیٹر مقرر کیا گیا تھا۔ ذیلی کمپنی نے تمام متعلقہ قانونی ضابطوں اور وائنڈنگ شرائط کو پورا کیا جیسا کہ ۲۹ مارچ ۲۰۱۹ کو کمپنیز ایکٹ ۲۰۱۷ کے تحت درکار تھا۔ اسے بذریعہ خط مورخہ ۱۸ اپریل ۲۰۱۹ کو SECP کی جانب سے اکنالجڈ اور رجسٹرڈ کیا گیا تھا اور ذیلی کمپنی مذکورہ خط کے 90 یوم میں خود بخود تحلیل ہو جائے گی۔

## مستقبل کا زاویہ نگاہ:

پاکستان میں معاشی زاویہ نگاہ چیلینجنگ ہے اور نمایاں طور پر نیچے کی جانب خطرات کی نشاندہی کر رہا ہے۔ بڑھوتری مالی سال ۲۰۱۹ اور مالیاتی سال ۲۰۲۰ میں نیچے کی جانب گئی ہے کیونکہ حکومت نے مالیاتی اور مانیٹری پالیسیز پر سختی اختیار کی تھی۔ چونکہ میکرو اکنامکس حالات بہتر ہو رہے ہیں اور مالیاتی مینجمنٹ میں اسٹرکچرل اصلاحات کا ایک پیکیج اور مسابقت کے نفاذ سے مالی سال ۲۰۲۱ سے آگے توقع ہے کہ ترقی میں بہتری آئے گی۔ میکرو اکنامکس ایڈجسٹمنٹ کے ساتھ ساتھ گروتھ ری باؤنڈ کو سپورٹ کرنے کیلئے اسٹرکچرل اصلاحات کے نفاذ کی فوری ضرورت ہے۔ مستحکم ترقی کی راہ پر ملک کو لے جانے کے لئے اصلاحات میں اضافہ کردہ ایکسچینج ریٹ بہتر کردہ مسابقت اور کاروبار کرنے کے ساتھ کم تر لاگت شامل ہے۔ ریوینیو فرنٹ پر ہر اصلاحات میں ٹیکس ایڈمنسٹریشن کو بہتر بنانا ٹیکس بیس کو کشادہ کرنا اور ٹیکس کمپلائنس کو سہولت دینا اہم ہے۔

امریکہ اور چین کے مابین حالیہ تجارتی جنگ مع بنگلہ دیش میں اجرتوں کے خلاف مظاہرے پاکستان کے حق میں بہتر ہے چونکہ دنیا بھر میں ٹیکسٹائل کے خریداران اپنے سپلائرز ممالک کو تبدیل کرنے کا سوچ رہے ہیں۔ یہ پاکستان میں ٹیکسٹائل کے شعبہ کیلئے بہت مناسب وقت ہے کہ وہ ویلیو ایڈیڈ پروڈکٹس کی جانب منتقل ہو جائے تاکہ وہ بہتر مارجن کے ساتھ ایکسپورٹ کا زیادہ حصہ حاصل کر سکے۔

## اظہار تشکر و اعتراف:

فیروز ۱۸۸۸ میں ہماری حکمت عملی اور کسٹمرز کے ساتھ قائم تعلق ہمارا اثاثہ ہے۔ ہمارا کسٹمر فوکسڈ مائنڈ سیٹ نئے چیلنجز کو پورا کرنے اور کسٹمر تجربہ میں ایکسیلنس حاصل کرنے کے پیچھے بنیادی جذبہ ہے۔ ہمیں یہ بھی یقین ہے کہ تحفظ پسندانہ کاروباری کامیابی اور مسلسل بہتری کیلئے ہمارے مرکزی قدروں سے رابطہ رکھنا بہت زیادہ ضروری ہے۔ ہماری قدر ہمیشہ ہماری ثقافت کا اہم حصہ رہے ہیں۔

# GOVERNANCE FRAMEWORK

The term 'Corporate Governance' refers to a system of Company's management that focuses on responsibility, transparency and sustainable value creation. It encompasses the management and monitoring system of the Company, including its organization, business principles and guidelines, as well as internal and external control and monitoring mechanisms. The governance and control of Feroze1888 is carried out through number of corporate bodies. At the general meetings, the shareholders can exercise their voting rights as mentioned in statutory laws. The Board of Directors is ultimately responsible for organization and monitoring of the Company's operations. The duties of the Board are partly exercised through Audit Committee and Human Resource and Remuneration Committee.

In addition, the Board is responsible to appoint the CEO of the Company. The CEO is in-charge of the day to day affairs of the Company in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between the shareholders, the Board and the CEO are regulated inter alia by the Companies Act, 2017, the Company's Articles of Association, the Corporate Financial Reporting Framework of Securities and Exchange Commission of Pakistan and the Listed Companies (Code of Corporate Governance) Regulations, 2017.

Our Governance strategy is to ensure that the Company follows the direction defined by its Core Values, current regulatory framework and global best practices. Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attain a fair value for the shareholders.

All Board of Directors and Committee meetings are held in Pakistan. Chief Executive Officer (Executive Director) of the Company does not serve as non-executive director on board of any other Company. Composition of Board of Directors, attendance at Board and Committee meetings, changes in Board of Directors, roles and responsibilities of Chairman of Board and Chief Executive Officer, performance evaluation of the directors and Chief Executive Officer, remuneration policy of non-executive and independent directors and directors' training details are part of Directors' Report.

Living up to its standards, the Board of Directors has, throughout the year 2018-19, complied with the Code of Corporate Governance and the Financial Reporting framework of Securities and Exchange Commission of Pakistan (SECP). Detailed statement is part of Directors' Report.

# BOARD COMMITTEES BRIEFS/ TORS

Following Committees were constituted to work under the guidance of Board of Directors. Details about their composition and terms of reference are indicated below.

## i) Audit Committee

The Audit Committee of the Board of Directors of Feroze1888 Mills Limited shall assist the Board of Directors in the oversight of:

a) The integrity of Financial Statements of the Company;

b) Effectiveness of:

  i) External Audit, with respect to the appointment of, rotation, qualification and independence of External Auditors and the conduct of Audit;

  ii) The system of Internal Control;

  iii) The Internal Audit Function;

  iv) The compliance, including compliance with legal and regulatory requirements.

It consists of four members including its Chairman. Two members are non-executive Directors, while chairman and one member of Committee are independent Directors including a female director. Its meetings are held in every quarter for reviewing and recommending the Company's Financial Statements. In addition, the Board can convene a special meeting of this Committee to discuss any special agenda. Detail regarding attendance of committee meetings is disclosed in Directors' Report.

## Terms of Reference

### a) Financial Reporting:

Review of quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, through discussion with Management and External Auditors (where relevant) focusing on significant financial reporting issues and judgments, sufficiency of disclosures in compliance with regulatory framework, significant audit matters and disclosure of related party transactions.

### b) Internal Controls and Risk Management:

- Determination of appropriate measures to safeguard the Company's assets.
- Ascertainment of the adequacy of the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording and reporting structure.
- Review of the effectiveness of the Company's internal controls and risk management systems.
- Review of Company policies and amendments thereto.
- Internal Audit Reports

### c) External Audit:

- Consider and make recommendation to the Board on the appointment and removal of external auditors and their audit fees.

## c) External Audit:

- Facilitate the external audit and discuss major observations of the auditors arising from audits and any other matters that the auditors may wish to highlight.
- Review Management Letter issued by the external auditors and management's responses there to.

## d) Other Matters:

- Consider any other matter assigned to it by the Board or by the Regulators. Review Management Letter issued by the external auditors and management's responses there to.

The Committee shall make recommendations to the Board it deems appropriate on any area under its review where action or improvement is needed.

# ii) Human Resource & Remuneration Committee

There shall be a Human Resource and Remunerations (HR&R) Committee to assist the Board by:
a) Recommending human resource management policies to the Board;
b) Recommending to the Board, the function, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and the Internal Audit Head.

The Committee shall consist of not less than 3 Board members, with at least one Independent Director and two Non-Executive Directors. The Chairman of the Committee shall be an Independent director. The Committee shall meet as many times as it deems necessary, but at minimum it shall meet at least twice a year. Detail regarding attendance of committee meetings is disclosed in Directors' Report.

## DUTIES AND RESPONSIBILITIES

The responsibilities of the Committee shall be:

- The Committee shall ensure that plans are in place for orderly succession of Executive Officers including the Chief Executive.
- The Committee shall review and discuss the Company's organizational structure with the CEO for appropriateness to the Company's business strategy and future plans.
- The Committee shall recommend to the Board the framework or broad policy for the remuneration of the Company's Chairman, Board members, Chief Executive and other Executive Officers. In determining such policy, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code of Corporate Governance.
- The Committee shall consider and approve recommendations of the Chief Executive on selection, evaluation, compensation and succession planning for key management positions who report directly to the Chief Executive.
- The Committee may seek assistance of outside consideration to fulfill its duties and responsibilities.
- The Committee shall undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Director's Report.

# BRIEF ON COMPANY'S POLICIES

## Related Parties Transaction Policy

In the light of regulations issued by SECP under SRO 1194(I) / 2018 dated 2 October 2018 and Section 208 of Companies Act 2017 for Related Party Transactions, the revised Related Parties Transaction Policy of the Company was approved by the Board on 24 April 2019. The Company maintains proper record of all transactions pertaining to Related Parties and relevant details have been appropriately disclosed in Note 31 of the Financial Statements in accordance with Fourth schedule of Companies Act 2017. These transactions were reviewed and recommended by Audit Committee and were subsequently approval by the Board on 6 September 2019.

## Investors Relations and Communication Policy

Feroze1888 Mills Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments.

Further all information disclosed to the public will be in accordance with the listing rules stipulated by Pakistan Stock Exchange Limited ("PSX"), as well as the Listed Companies (Code of Corporate Governance) Regulations, 2017. The company also gives its shareholder the option to express their grievances and any other enquiries electronically via its websites. The policy was approved by the Board of Directors on 6 September 2019.

## Corporate Social Responsibility Policy

Feroze1888 Mills' CSR policy is a well- stated commitment and ownership towards environment, its people and society in general. Our focus is to give back to the society and our homeland Pakistan, as much as it has given to us.
The policy covers different initiatives being done under the following headers:

- Compliance to legal and ethical requirements to run a business.
- Waste Control & Environmental Friendly Production Processes.
- Contributions in Educational & Capacity Building Programs.

The policy was approved by Board of Directors on 6 September 2019. Our role as a corporate citizen is as important to us as satisfaction of our customers and earning a fair return for our shareholders. We are committed to work for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, contractors, suppliers and customers.

## Human Resource Management Policies

Feroze1888 believes that employees are its biggest assets. Empowering staff with meaningful roles, challenging assignments and world class learning platforms have paved the way for a more purpose-driven organization. A comprehensive set of policies has been well implemented to cover all aspects related to HR i.e Recruitment and Selection, Performance Management, Learning and Development, Mentorship Program, Compensation and Benefit, No Harassment & Discriminatory Organizational Culture . The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company.

## Succession Policy

In order to maintain continuity of the business operations, particularly at senior management and key managerial positions, a well-defined Succession Policy duly approved by Board of Directors, is in practice. The Company ensures implementation of succession planning. This is done by development of successors for all key positions across the organization. With a long-term perspective in mind, the Company also ensures that competent personnel are available in each department and are ready to assume higher positions through a succession planning Policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude among other factors.

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# INDEPENDENT AUDITORS' REVIEW REPORT

## To the members of Feroze1888 Mills Limited

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Feroze1888 Mills Limited** (the Company) for the year ended **30 June 2019** in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 17 September 2019

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (Code of Corporate Governance) Regulations, 2017

| | |
|---|---|
| Name of company | Feroze1888 Mills Limited |
| Year Ending | June 30, 2019 |

The company has complied with the requirements of the Regulations in the following manner:

1 The total number of directors are 9 including Chief Executive as per the following

| | |
|---|---|
| a) Male | 8 |
| b) Female | 1 |

2 The Composition of board including Chief Executive is as follows:

| | |
|---|---|
| a) Independent Director | 2 |
| b) Non-executive | 6 |
| c) Executive | 1 |

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

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

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

6 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7 The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8 The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9 The company stands complied with requirements of Director training program under the CCG.

Name of Director who obtained certificate of DTP

Mr. Khaleequr Rehman
Mr. Shabbir Ahmed
Mr. Perwez Ahmed
Mr. Nasim Hyder
Ms. Huma Pasha
Mr. Asim Shabbir Patka
Mr. Usama Rehman
Mr. Rehan Rehman

10 The board has approved appointment of new CFO and Company Secretary including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However there is no new appointment of Head of Internal Audit during the year.

11 CFO and CEO duly endorsed the financial statements before approval of the board.

12 The board has formed committees comprising of members given below:

a) **Audit Committee**

Mr. Nasim Hyder
Mr. Khaleequr Rehman
Mr. Perwez Ahmed
Ms. Huma Pasha

b) **HR and Remuneration Committee**

Ms. Huma Pasha
Mr. Nasim Hyder
Mr. Shabbir Ahmed

13 The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14 The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee
b) HR and Remuneration Committee

15 The board has outsourced the internal audit function to AF Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

| | |
|---|---|
| Rehan Rahman | Jonathan R. Simon |
| Chief Executive Officer | Chairman / Non Executive Director |

6 September 2019
Karachi

# DEMONSTRATING TOP-NOTCH LEVEL OF QUALITY

The main goal of Feroze1888 is to provide its customers with the best quality products, assuring performance, consistency and value. This is extracted from our very base of beliefs: customer satisfaction. Backed by the latest equipment and onsite testing laboratories, our manufacturing setup strives to deliver a perfect blend of style, quality and price. From yarn manufacturing till export our products undergo strict evaluations.

# Key Performance Indicators

| | Rupees in '000 |
|---|---|
| **NET TURNOVER** | |
| 2019 | 29,243,548 |
| 2018 | 21,775,445 |
| Increase by | 34% |

| | Rupees in '000 |
|---|---|
| **OPERATING RESULT** | |
| 2019 | 6,376,987 |
| 2018 | 2,889,877 |
| Increase by | 121% |

| | Rupees in '000 |
|---|---|
| **PROFIT BEFORE TAX** | |
| 2019 | 6,221,094 |
| 2018 | 2,804,148 |
| Increase by | 122% |

| | Rupees in '000 |
|---|---|
| **PROFIT AFTER TAX** | |
| 2019 | 5,989,810 |
| 2018 | 2,752,096 |
| Increase by | 118% |

| | Rupees in '000 |
|---|---|
| **EBITDA** | |
| 2019 | 7,310,596 |
| 2018 | 3,635,251 |
| Increase by | 101% |

| | Percentage % |
|---|---|
| **EBITDA MARGIN** | |
| 2019 | 25.00 |
| 2018 | 16.69 |
| Increase by | 50% |

| | | |
|---|---|---|
| **EQUITY** | | Rupees in '000 |
| | 2019 | 20,103,448 |
| | 2018 | 16,167,203 |
| | Increase by | 24% |
| **EARNING PER SHARE** | | Rupees |
| | 2019 | 15.90 |
| | 2018 | 7.30 |
| | Increase by | 118% |
| **PRICE EARNING** | | Times |
| | 2019 | 6.35 |
| | 2018 | 8.28 |
| | decrease by | -23% |
| **RETURN ON CAPITAL EMPLOYED** | | Percentage % |
| | 2019 | 27.11 |
| | 2018 | 16.27 |
| | Increase by | 67% |
| **RETURN ON FIXED ASSET** | | Percentage % |
| | 2019 | 44.50 |
| | 2018 | 25.37 |
| | Increase by | 75% |
| **CAPITAL EXPENDITURE** | | Rupees in '000 |
| | 2019 | 3,633,854 |
| | 2018 | 3,441,083 |
| | Increase by | 6% |

# HORIZONTAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

| | 2019 | FY19 vs FY18 | 2018 | FY18 vs FY17 | 2017 | FY17 vs FY16 | 2016 | FY16 vs FY15 | 2015 | FY15 vs FY14 | 2014 | FY14 vs FY13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| **Assets** | | | | | | | | | | | | |
| **Non Current Assets** | | | | | | | | | | | | |
| Property, plant and equipment | 13,458,883 | 24.08 | 10,846,978 | 31.29 | 8,262,150 | 22.40 | 6,749,863 | 16.87 | 5,775,615 | 10.84 | 5,210,869 | 14.64 |
| Long term investment | 186,153 | 100.00 | - | - | 608 | | - | - | - | - | - | - |
| Other non current assets | 18,232 | 78.68 | 10,204 | 1.25 | 10,078 | 57.55 | 6,397 | (41.16) | 10,871 | (30.50) | 15,642 | (24.57) |
| | 13,663,268 | 25.85 | 10,857,182 | 31.24 | 8,272,836 | 22.45 | 6,756,260 | 16.76 | 5,786,486 | 10.71 | 5,226,511 | 14.47 |
| **Current Assets** | | | | | | | | | | | | |
| Inventory | 7,319,602 | 61.76 | 4,524,979 | 9.41 | 4,135,743 | 14.42 | 3,614,391 | 27.82 | 2,827,708 | (24.25) | 3,732,970 | (2.74) |
| Trade debts - considered good | 7,629,984 | 46.97 | 5,191,483 | 19.23 | 4,354,193 | 56.48 | 2,762,632 | (1.43) | 2,823,046 | 7.30 | 2,630,993 | 18.40 |
| Advances, prepayments and other receivables | 1,604,580 | (25.14) | 2,143,314 | 32.56 | 1,616,865 | 18.47 | 1,364,781 | 39.30 | 979,776 | 24.34 | 788,000 | 1.96 |
| Taxation recoverable | 482,183 | 11.71 | 431,650 | 62.32 | 265,920 | 100.00 | - | - | - | (100.00) | 28,175 | (12.97) |
| Cash & bank | 3,267,898 | 1,506.82 | 203,384 | 118.83 | 92,931 | (90.62) | 990,908 | 244.18 | 287,906 | 23.09 | 233,902 | 434.11 |
| | 20,304,067 | 62.50 | 12,494,800 | 19.39 | 10,465,652 | 19.57 | 8,732,712 | 26.61 | 6,918,438 | (5.68) | 7,414,040 | 7.31 |
| | 33,967,335 | 45.46 | 23,351,982 | 24.62 | 18,738,487 | 20.82 | 15,508,971 | 22.07 | 12,704,924 | 0.51 | 12,640,551 | 10.16 |
| **Share capital and reserves** | | | | | | | | | | | | |
| Issued subscribed and paid up capital | 3,768,010 | - | 3,768,010 | - | 3,768,010 | - | 3,768,010 | - | 3,768,010 | - | 3,768,010 | - |
| Reserves | 16,335,438 | 31.75 | 12,399,194 | 15.45 | 10,739,821 | 19.33 | 8,999,881 | 44.11 | 6,245,286 | 42.82 | 4,372,688 | 46.86 |
| | 20,103,448 | 24.35 | 16,167,203 | 11.44 | 14,507,830 | 13.63 | 12,767,891 | 27.51 | 10,013,296 | 23.00 | 8,140,698 | 20.69 |
| **Liabilities** | | | | | | | | | | | | |
| **Non-Current Liabilities** | | | | | | | | | | | | |
| Deferred liabilities | 143,494 | 100.00 | - | - | - | - | - | - | - | - | - | - |
| Long term finance - secured | 1,991,546 | 165.42 | 750,334 | 71.65 | 437,142 | 0.69 | 434,150 | 13.28 | 383,246 | (18.82) | 472,093 | (22.13) |
| | 2,135,040 | 184.55 | 750,334 | 71.65 | 437,142 | 0.69 | 434,150 | 13.28 | 383,246 | (18.82) | 472,093 | (18.82) |
| **Current Liabilities** | | | | | | | | | | | | |
| Trade & other payables | 4,910,688 | 32.65 | 3,701,921 | 16.51 | 3,177,287 | 38.54 | 2,293,478 | 4.38 | 2,197,158 | (18.06) | 2,682,215 | 57.75 |
| Short term borrowings - secured | 6,490,000 | 154.51 | 2,550,000 | 410.00 | 500,000 | 100.00 | - | - | - | (100.00) | 1,177,725 | (43.15) |
| Current portion of long term finances | 275,388 | 69.46 | 162,508 | 47.72 | 110,008 | 1,780.48 | 5,850 | (93.91) | 98,014 | (29.46) | 138,147 | (27.24) |
| Other current liabilities | 52,770 | 163.65 | 20,015 | 221.76 | 6,221 | (18.18) | 7,603 | (50.00) | 15,207 | (51.99) | 31,672 | (60.72) |
| | 11,728,847 | 82.28 | 6,434,444 | 69.62 | 3,793,515 | 64.44 | 2,306,931 | (0.06) | 2,308,379 | (42.69) | 4,027,760 | (2.32) |
| | 33,967,335 | 44.97 | 23,351,982 | 24.62 | 18,738,487 | 20.82 | 15,508,971 | 22.07 | 12,704,924 | 0.51 | 12,640,551 | 10.16 |

# VERTICAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | Rupees in '000 | | Rupees in '000 | | Rupees in '000 | | Rupees in '000 | | Rupees in '000 | % |
| **Assets** | | | | | | | | | | | | |
| Property, plant and equipment | **13,458,883** | **39.62** | 10,846,978 | 46.45 | 8,262,150 | 44.09 | 6,749,863 | 43.52 | 5,775,615 | 45.46 | 5,210,869 | 41.22 |
| Long term investment | **186,153** | **0.55** | - | - | 608 | 0.00 | - | - | - | - | - | - |
| Other non current assets | **18,232** | **0.05** | 10,204 | 0.04 | 10,078 | 0.05 | 6,397 | 0.04 | 10,871 | 0.09 | 15,642 | 0.12 |
| Current assets | **20,304,067** | **59.78** | 12,494,800 | 53.51 | 10,465,652 | 55.85 | 8,752,712 | 56.44 | 6,918,438 | 54.45 | 7,414,040 | 58.65 |
| | **33,967,335** | **100.00** | 23,351,982 | 100.00 | 18,738,487 | 100.00 | 15,508,971 | 100.00 | 12,704,924 | 100.00 | 12,640,551 | 100.00 |
| **Share capital & reserves** | | | | | | | | | | | | |
| Issued subscribed and paid up capital | **3,768,010** | **11.09** | 3,768,010 | 16.14 | 3,768,010 | 20.11 | 3,768,010 | 24.30 | 3,768,010 | 29.66 | 3,768,010 | 29.81 |
| Reserves | **16,336,438** | **48.09** | 12,399,194 | 53.10 | 10,739,821 | 57.31 | 8,999,881 | 58.03 | 6,245,288 | 49.16 | 4,372,686 | 34.59 |
| **Liabilities** | | | | | | | | | | | | |
| Non-Current Liabilities | **2,135,040** | **6.29** | 750,334 | 3.21 | 437,142 | 2.33 | 434,150 | 2.80 | 383,248 | 3.02 | 472,093 | 3.73 |
| Short term borrowings - secured | **6,490,000** | **19.11** | 2,550,000 | 10.92 | 500,000 | 2.67 | - | - | - | - | 1,177,725 | 9.32 |
| Current portion of long term finances | **275,388** | **0.81** | 162,508 | 0.70 | 110,008 | 0.59 | 5,850 | 0.04 | 96,014 | 0.76 | 136,147 | 1.08 |
| Other current liability | **4,963,459** | **14.61** | 3,721,936 | 15.94 | 3,183,507 | 16.99 | 2,301,081 | 14.84 | 2,212,365 | 17.41 | 2,713,887 | 21.47 |
| | **33,967,335** | **100.00** | 23,351,982 | 100.00 | 18,738,487 | 100.00 | 15,508,971 | 100.00 | 12,704,924 | 100.00 | 12,640,551 | 100.00 |

# COMMENTS ON SIX YEARS ANALYSIS

**Comments on Statement of Financial Position**

**Assets**

The assets base of the company has increased at a compound annual growth rate (CAGR) of 21.86% over the last six years. The non-current assets have increased from Rs. 5.23 billion to Rs. 13.66 billion on account of expansions, balancing and modernization of property, plant & equipment. The current assets of the company have increased from Rs. 7.41 billion to Rs. 20.30 billion primarily on account of increased in inventories and trade debts due to growth in business activities in past six years, the substantial cash and bank balance as at reporting date also cause increase in the current assets.

**Liabilities**

The liabilities of the company have increased at a CAGR of 25.24% over the past six years. This is primarily on account of increased short term running finance to facilitate the increasing working capital requirements due to growing business needs and increase in long-term loans obtained for expenditures on plant & machineries.

**Equity**

The shareholder's equity comprises of share capital and reserves. The equity of the company has increased at a CAGR of 19.82% over the past six years primarily due to increase in retained profits of the Company and revaluation surplus.

# VERTICAL ANALYSIS - STATEMENT OF PROFIT OR LOSS ACCOUNT

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| Sales- net | 29,243,548 | 100.00 | 21,775,445 | 100.00 | 20,937,331 | 100.00 | 20,358,104 | 100.00 | 18,395,885 | 100.00 | 18,465,738 | 100.00 |
| Cost of sales | (21,605,820) | (73.88) | (16,950,428) | (77.84) | (16,063,005) | (76.72) | (14,263,192) | (70.06) | (13,611,393) | (73.99) | (14,322,509) | (77.56) |
| Gross profit | 7,637,728 | 26.12 | 4,825,018 | 22.16 | 4,874,327 | 23.28 | 6,094,912 | 29.94 | 4,784,492 | 26.01 | 4,143,229 | 22.44 |
| Administrative cost | (1,030,515) | (3.52) | (929,709) | (4.27) | (791,937) | (3.78) | (676,100) | (3.32) | (586,350) | (3.19) | (508,066) | (2.75) |
| Distribution cost | (1,922,000) | (6.57) | (1,511,795) | (6.94) | (1,421,045) | (6.79) | (1,200,190) | (5.90) | (1,448,346) | (7.87) | (1,252,954) | (6.79) |
| Other expense | (356,736) | (1.22) | (212,308) | (0.97) | (217,482) | (1.04) | (266,807) | (1.31) | (178,590) | (0.97) | (129,791) | (0.70) |
| | (3,309,251) | (11.32) | (2,653,811) | (12.19) | (2,430,464) | (11.61) | (2,143,097) | (10.53) | (2,213,286) | (12.03) | (1,890,811) | (10.24) |
| Other income | 2,048,509 | 7.00 | 718,670 | 3.30 | 60,877 | 0.29 | 139,352 | 0.68 | 89,711 | 0.49 | (90,094) | (0.49) |
| Operating profit | 6,376,987 | 21.81 | 2,889,877 | 13.27 | 2,504,740 | 11.96 | 4,091,167 | 20.10 | 2,660,918 | 14.46 | 2,162,324 | 11.71 |
| Finance cost | (155,893) | (0.53) | (85,729) | (0.39) | (55,039) | (0.26) | (59,117) | (0.29) | (133,303) | (0.72) | (270,647) | (1.47) |
| Profit before taxation | 6,221,094 | 21.27 | 2,804,148 | 12.88 | 2,449,701 | 11.70 | 4,032,050 | 19.81 | 2,527,614 | 13.74 | 1,891,677 | 10.24 |
| Provision for taxation | (231,284) | (0.79) | (52,052) | (0.24) | 39,977 | 0.19 | (221,968) | (1.09) | (201,988) | (1.10) | (194,204) | (1.05) |
| Profit after taxation | 5,989,810 | 20.48 | 2,752,096 | 12.64 | 2,489,677 | 11.89 | 3,810,082 | 18.72 | 2,325,627 | 12.64 | 1,697,473 | 9.19 |

# HORIZONTAL ANALYSIS - STATEMENT OF PROFIT OR LOSS ACCOUNT

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| Sales- net | 29,243,548 | 34.30 | 21,775,445 | 4.00 | 20,937,331 | 2.85 | 20,358,104 | 10.67 | 18,395,885 | (0.38) | 18,465,739 | 31.51 |
| Cost of sales | (21,605,820) | 27.46 | (16,950,428) | 5.52 | (16,063,005) | 12.62 | (14,263,192) | 4.79 | (13,611,393) | (4.97) | (14,322,509) | 31.42 |
| Gross profit | 7,637,728 | 58.29 | 4,825,018 | (1.01) | 4,874,327 | (20.03) | 6,094,912 | 27.39 | 4,784,492 | 15.48 | 4,143,229 | 31.83 |
| Administrative cost | (1,030,515) | 10.84 | (929,709) | 17.40 | (791,937) | 17.13 | (676,100) | 15.31 | (586,350) | 15.41 | (508,066) | 12.27 |
| Distribution cost | (1,922,000) | 27.13 | (1,511,795) | 6.39 | (1,421,045) | 18.40 | (1,200,190) | (17.13) | (1,448,346) | 15.59 | (1,252,954) | 29.21 |
| Other expense | (356,736) | 68.03 | (212,308) | (2.38) | (217,482) | (18.49) | (266,807) | 49.40 | (178,590) | 37.60 | (129,791) | 31.82 |
| | (3,309,251) | 24.70 | (2,653,811) | 9.19 | (2,430,464) | 13.41 | (2,143,097) | (3.17) | (2,213,286) | 17.05 | (1,890,811) | 24.34 |
| Other income | 2,048,509 | 185.04 | 718,670 | 1,080.53 | 60,877 | (56.31) | 139,352 | 55.33 | 89,711 | (199.58) | (90,094) | (263.09) |
| Operating profit | 6,376,987 | 120.67 | 2,889,877 | 15.38 | 2,504,740 | (38.78) | 4,091,167 | 53.75 | 2,660,918 | 23.06 | 2,162,324 | 28.91 |
| Finance cost | (155,892) | 81.84 | (85,729) | 55.76 | (55,039) | (6.90) | (59,117) | (55.65) | (133,303) | (50.75) | (270,647) | (7.08) |
| Profit before taxation | 6,221,094 | 121.85 | 2,804,148 | 14.47 | 2,449,701 | (39.24) | 4,032,050 | 59.52 | 2,527,614 | 33.62 | 1,891,677 | 36.48 |
| Provision for taxation | (231,284) | 344.33 | (52,052) | (230.20) | 39,977 | (118.01) | (221,968) | 9.89 | (201,988) | 4.01 | (194,204) | 38.27 |
| Profit after taxation | 5,989,810 | 117.65 | 2,752,096 | 10.54 | 2,489,677 | (34.66) | 3,810,082 | 63.83 | 2,325,627 | 37.01 | 1,697,473 | 36.27 |

# COMMENTS ON STATEMENT OF PROFIT OR LOSS ACCOUNT

**Net turnover**

Net turnover of the Company has increased at a CAGR of 9.63% in the past six years which has been driven by consistent volumetric sales growth over the years and favorable impact of rupee devaluation. The growth in sales volume is a result of efficiently devise marketing management strategies. The company has recorded its highest ever sales revenue in the current year of Rs. 29.24 billion in the company's history which is increased by 34% as compared to previous year. However, the sales prices have been gradually declined over the years on account of tough competition from low cost of manufacturing countries in exports markets and bargaining power of foreign customers.

**Cost of sales**

The cost of sales of the company has increased at a CAGR of 8.57% in the past six years. The increasing trend in cost of sales is primarily on account of volumetric sales growth over the years; beside this, the cost of sales is continuously facing pressure from volatility in basic raw material prices, increase in natural gas tariff, increase in fuel prices, higher cost of imported material due to rupee devaluation and inflationary impact on key cost components.

**Net profit**

The net profit of the company has increased at a CAGR of 28.68% over the past six years. During the current year the company has reported its highest ever net profit of Rs. 5.98 billion in the company's history. The net profit has consistently increased over the last six years except for the year 2016-17 in which extreme volatility in raw material prices cause substantial increase in cost. Overall the company has successfully deployed different cost effective measures to reduce cost and improve margins. During the current year and prior year, rupee devaluation post substantial favorable impact on net margin.

# SUMMARY OF CASH FLOW - SIX YEAR

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| | | | Rupees in '000 | | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Profit before taxation | 6,221,094 | 2,804,148 | 2,449,701 | 4,032,050 | 2,527,614 | 1,891,677 |
| **Adjustments for non cash items:** | | | | | | |
| Depreciation & amortization | 933,609 | 743,374 | 573,674 | 473,396 | 429,348 | 372,129 |
| Impairment | - | 608 | - | - | - | - |
| Non-management staff gratuity | 143,494 | - | - | - | - | - |
| Profit on short term investment | (55,627) | - | - | - | - | - |
| Finance Cost | 155,892 | 85,729 | 55,039 | 59,117 | 133,303 | 331,546 |
| Loss / (gain) on disposal of property, plant and equipment | 15,026 | 48,530 | 54,688 | (1,942) | 261 | 727 |
| | 1,192,394 | 878,241 | 683,401 | 530,570 | 562,912 | 704,401 |
| | 7,413,489 | 3,682,389 | 3,133,101 | 4,562,620 | 3,090,526 | 2,596,078 |
| **Changes in working capital** | | | | | | |
| Stores and spares | (275,806) | (134,677) | 69,389 | (122,276) | 154,363 | (226,710) |
| Stock-in-trade | (2,518,817) | (254,560) | (590,742) | (663,406) | 750,899 | 330,892 |
| Trade debts | (2,438,501) | (637,300) | (1,571,562) | 40,415 | (192,054) | (568,453) |
| Advances, deposits, prepayments and other receivables | 354,769 | (526,449) | (252,086) | (386,005) | (191,776) | (16,318) |
| Trade and other payables | 1,208,767 | 524,634 | 883,809 | 96,320 | (485,058) | 1,141,614 |
| | (3,669,587) | (1,228,350) | (1,461,190) | (1,034,952) | 38,375 | 662,825 |
| **Cash generated from operations** | 3,743,901 | 2,454,038 | 1,671,912 | 3,527,668 | 3,126,901 | 3,258,903 |
| Finance costs paid | (123,636) | (72,230) | (51,579) | (72,008) | (149,851) | (362,270) |
| Income taxes paid | (281,827) | (217,782) | (230,902) | (217,009) | (173,813) | (190,006) |
| Long-term deposits | (8,046) | (1,230) | (707) | (666) | (372) | (48) |
| | (413,509) | (291,242) | (283,188) | (289,684) | (324,036) | (552,324) |
| **Net cash generated from operating activities** | 3,330,392 | 2,162,796 | 1,388,724 | 3,237,984 | 2,802,866 | 2,706,579 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Fixed Capital Expenditure | (3,633,854) | (3,441,083) | (1,762,999) | (1,463,373) | (1,005,159) | (1,059,996) |
| Sales proceeds of Fixed Assets | 73,332 | 65,455 | 37,721 | 22,812 | 15,947 | 26,648 |
| Profit received on short term investment | 53,439 | - | - | - | - | - |
| Long term Investment | - | - | (608) | - | - | - |
| **Net cash used in investing activities** | (3,507,083) | (3,375,628) | (1,725,886) | (1,440,561) | (989,211) | (1,033,347) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Dividends paid | (2,053,067) | (1,092,427) | (1,167,966) | (1,055,160) | (452,944) | (404,010) |
| Short term borrowings – net | 3,940,000 | 2,050,000 | 500,000 | - | (1,177,725) | (893,985) |
| Long term financing – net | 1,354,092 | 365,692 | 107,150 | (39,262) | (128,978) | (185,126) |
| **Net cash generated from / (used in) financing activities** | 3,241,025 | 1,323,265 | (560,816) | (1,094,422) | (1,759,648) | (1,483,121) |
| **Net increase in cash and cash equivalents** | 3,064,334 | 110,433 | (897,978) | 703,001 | 54,006 | 190,111 |
| **Cash and cash equivalents at the beginning of the year** | 203,364 | 92,931 | 990,909 | 287,908 | 233,902 | 43,791 |
| **Cash and cash equivalents at the end of the year** | 3,267,698 | 203,364 | 92,931 | 990,909 | 287,908 | 233,902 |

# COMMENTS ON SIX YEARS ANALYSIS

**Comments on Cash flow statement**

**Operating activities**
The company's operating cash flow has consistently increased over the past six years due to improving profitability on account of volumetric growth in sales volumes, retention of profit and efficient cost reduction efforts. The company has recorded it highest cash generated from operating activities among all previous years due to improved business performance.

**Investing activities**
Net cash used in investing activities mainly consist of expenditures on property, plant & equipment's. The capital expenditures was started increasing from the year 2017-18 and is highest in the current year mainly due to up-gradation of plant and machinery. During the year under review, proceeds from short-term investment also post favorable impact on investing activities.

**Financing activities**
Financing activities comprise mainly long-term loans obtained and dividends paid to shareholders. The net cash used in financing activities has shown mix trend over the past six years. The dividend payments have increased gradually over the years due to increase in profitability. The long-term financing facilities have been obtained to fund expenditures on plant and machinery. The short-term financing facilities have been utilized on cyclical basis to suffice working capital requirements.

# RATIOS AND COMMENTS ON RATIO

| Profitability Ratios | | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| Gross margin | % | **26.12** | 22.16 | 23.28 | 29.94 | 26.01 | 22.44 |
| Operating result margin | % | **21.81** | 13.27 | 11.96 | 20.10 | 14.46 | 11.71 |
| Profit after tax margin | % | **20.48** | 12.64 | 11.89 | 18.72 | 12.64 | 9.19 |
| Profit before taxation margin | % | **21.27** | 12.88 | 11.70 | 19.81 | 13.74 | 10.24 |
| Return on capital employed | % | **27.11** | 16.27 | 16.66 | 28.86 | 22.37 | 19.71 |
| Return on assets | % | **17.63** | 11.79 | 13.29 | 24.57 | 18.30 | 13.43 |
| Return on fixed assets | % | **44.50** | 25.37 | 30.13 | 56.45 | 40.27 | 32.58 |
| EBITDA margin to sales | % | **25.00** | 16.69 | 14.70 | 22.42 | 16.80 | 13.73 |
| Return on equity | % | **29.79** | 17.02 | 17.16 | 29.84 | 23.23 | 20.85 |
| **Liquidity Ratios** | | | | | | | |
| Current ratio | Times | **1.73** | 1.94 | 2.76 | 3.79 | 3.00 | 1.84 |
| Quick / acid test ratio | Times | **1.11** | 1.24 | 1.67 | 2.23 | 1.77 | 0.91 |
| Cash ratio | Times | **0.28** | 0.03 | 0.02 | 0.43 | 0.12 | 0.06 |
| **Activity / Turnover Ratio** | | | | | | | |
| Total asset turnover | Times | **1.02** | 1.03 | 1.22 | 1.44 | 1.45 | 1.53 |
| Fixed asset turnover | Times | **2.41** | 2.28 | 2.79 | 3.25 | 3.35 | 3.79 |
| No. of Days in Inventory | Days | **87.03** | 81.07 | 75.95 | 69.47 | 73.96 | 84.07 |
| No. of Days in Receivable | Days | **80.01** | 80.00 | 62.21 | 50.25 | 54.11 | 47.96 |
| No. of Days in Creditors | Days | **20.28** | 12.35 | 11.59 | 27.10 | 37.35 | 32.69 |
| Operating Cycle | Days | **146.76** | 148.73 | 126.56 | 92.62 | 90.71 | 99.34 |
| **Investment / Market ratio** | | | | | | | |
| Earning per share | Times | **15.90** | 7.30 | 6.61 | 10.11 | 6.17 | 4.50 |
| Price earning ratio | Times | **6.35** | 8.28 | 16.74 | 31.15 | 9.56 | 7.44 |
| Dividend per share | PKR | **6.35** | 3.65 | 2.70 | 4.10 | 1.50 | 4.50 |
| Price to book ratio | Times | **1.89** | 1.41 | 2.87 | 9.29 | 2.22 | 1.55 |
| Dividend yield ratio | Times | **0.06** | 0.09 | 0.07 | 0.12 | 0.06 | 0.21 |
| Dividend payout ratio | Times | **0.19** | 0.50 | 0.41 | 0.41 | 0.24 | 1.00 |
| Dividend cover ratio | Times | **5.30** | 2.00 | 2.45 | 2.47 | 4.11 | 1.00 |
| Breakup value per share without surplus | PKR | **49.37** | 38.93 | 34.52 | 31.02 | 23.71 | 18.74 |
| Breakup value per share with surplus | PKR | **53.35** | 42.91 | 38.50 | 33.88 | 26.57 | 21.60 |
| Market value per share at the end | PKR | **100.87** | 60.50 | 110.60 | 314.94 | 59.01 | 71.00 |
| Highest market value per share | PKR | **126.00** | 113.00 | 314.94 | 446.15 | 70.80 | 83.26 |
| Lowest market value per share | PKR | **53.00** | 58.05 | 109.78 | 55.60 | 57.00 | 30.51 |
| **Capital Structure** | | | | | | | |
| Total debt to capital ratio | % | **40.82** | 30.77 | 22.58 | 17.67 | 21.19 | 35.60 |
| Interest cover ratio | % | **79.13** | 66.57 | 159.54 | 352.15 | 49.26 | 10.00 |
| Financial leverage ratio | % | **0.97** | 0.69 | 0.89 | 1.19 | 1.60 | 1.25 |
| Weighted average cost of debt | % | **1.32** | 1.92 | 2.11 | 2.53 | 4.77 | 9.30 |

# COMMENTS ON SIX YEARS RATIOS

**Profitability Ratios**

The profitability ratios of the company has shown consistent upward trajectory over the period of last six years. The sales prices in export market are continuously on declining trend due to competitive market situation in international markets and bargaining power of foreign customers, besides facing many challenges the company has placed its upmost efforts to uphold its market leader position with growth in business and earnings performance which is a combined result of efforts attributable to continued cost reduction efforts, broadening and retention of customer base, balancing and modernization of machinery, effective procurement planning for basic raw materials.The profitability ratios were highest during the year 2016 primarily on account of favorable sales prices and raw material prices, the same trend is also depict in the current year 2019 due to highest net-turnover achieved in the company's history alongside favorable impact of rupee devaluation.

**Liquidity Ratios**

The company has a track record of maintaining its liquidity position in an efficient manner due to better working capital management policies. The liquidity ratios were highest during the years 2015 to 2017 primarily on account of lower prices of basic raw materials and availability of surplus cash for working capital requirements.The liquidity ratios are slightly decreased in last two years mainly due to higher capital expenditures and extreme volatility in raw material prices. Overall, the company successfully managed its strong liquidity position in all years.

**Activity / Turnover Ratios**

The company has always sought to efficiently use the various components of working capital cycle. The company managed to substantiate its financial position by maintaining optimum inventory levels and effective credit management.

**Investment / Market Ratios**

The investor continued to show its confidence in the company, which is evident from the market value of the share and PE ratio that is a result of company's strong financial health and performance. During current year, the company reported its highest EPS in its history.

**Capital Structure**

The objective of the company is to utilize financing resources at its optimum level. Financial leverage in current year is higher due to debt drawdown for financing the capital expenditure on plant & machineries. This effect will be offset in later years with enhanced profitability from augmented sales.

# SHARE PRICE SENSITIVITY ANALYSIS

The share price of the Company depends on the Company's overall performance and reputation in the respective industry in which it exists, combined with other external factors on which management has lesser or no control. The Company's share price is sensitive to the following factors:

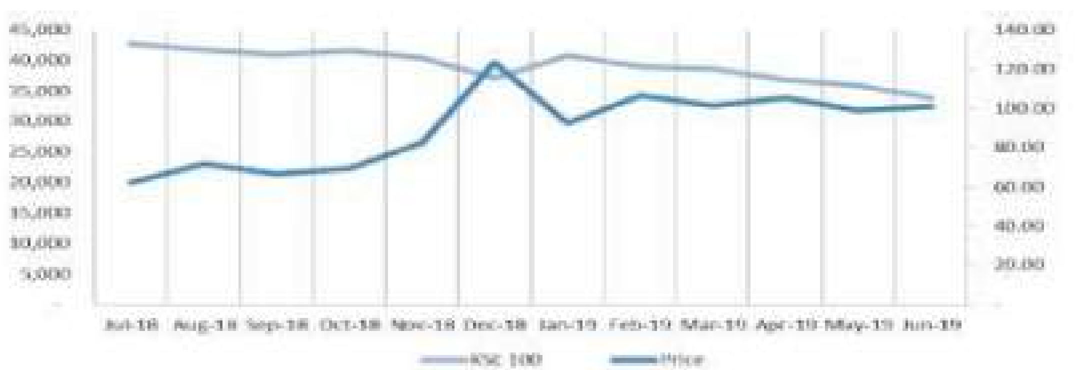
**Profitability**
During the year under review the profitibility of the company outperformed all the previous years in company's history primarily on account of volumetric gowth in sales volume, favorable impact of rupee devaluation and effective and on time cost controlling measures.

**Stock market**
Company's share price depends on overall market performance, investor confidence in the economy and particular sector and the overall fundamentals of the company. Positive sentiments, news flows prevailing in the market may result in an appreciation of the share price of the company.

**Regulations and Government Policies**
The share price is also sensitive to any changes in policies by the government and regulatory authorities', both specific to the textile sector and overall business activities may affect the market share prices; either positively or negatively, depending on whether the policy is in favor of or against the industry.

**Currency Risk**
The volatility in currency exchange rates can also affect the market share prices as the Company is involved in both export and import so the margins can be affected positively or adversely.

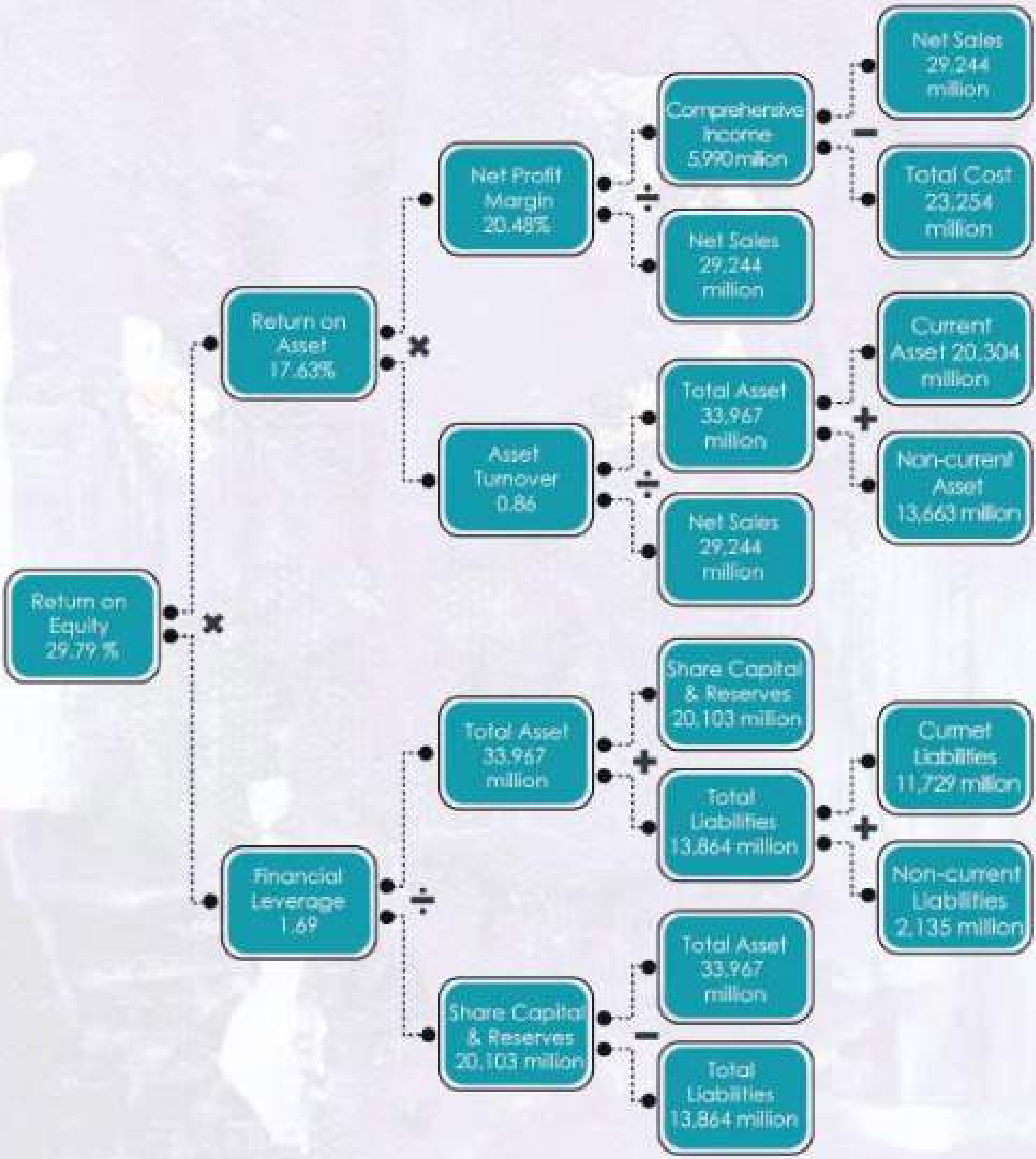
**Goodwill**
The market share price can also vary with the investor sentiments towards the company which changes very quickly in response to the news and events and also because of investors' following of the general market trend.



# DUPONT ANALYSIS

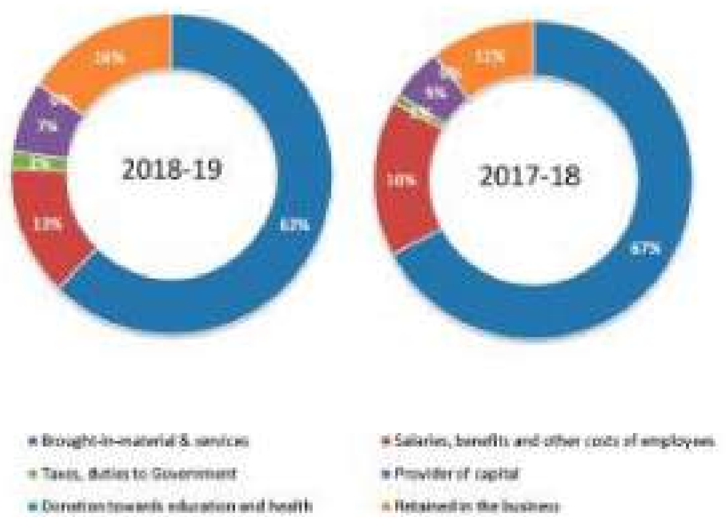
## COMMENTARY ON DUPONT ANALYSIS

Overall DuPont analysis depicts improvement in the overall performance of the Company. Return on equity showed continuous improvement over the years on account of consistent improvement in operational efficiency derived from consistent growth in net turnover, effective cost reduction and controlling measures, balancing and modernization of production facilities and effective procurement of basic raw material.


Return on Equity 29.79 %
Return on Asset 17.63%
Net Profit Margin 20.48%
Comprehensive Income 5,990 million
Net Sales 29,244 million
Total Cost 23,254 million
Net Sales 29,244 million
Asset Turnover 0.86
Total Asset 33,967 million
Current Asset 20,304 million
Non-current Asset 13,663 million
Net Sales 29,244 million
Financial Leverage 1.69
Total Asset 33,967 million
Share Capital & Reserves 20,103 million
Total Liabilities 13,864 million
Curmet Liabilities 11,729 million
Non-current Liabilities 2,135 million
Share Capital & Reserves 20,103 million
Total Asset 33,967 million
Total Liabilities 13,864 million

# STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

| | 2019 Rupees in '000 | % | 2018 Rupees in '000 | % |
|---|---|---|---|---|
| **Wealth generated** | | | | |
| Sales including sales tax | 29,269,180 | 93% | 21,787,741 | 97% |
| Other operating income | 2,048,509 | 7% | 718,670 | 3% |
| | 31,317,689 | 100% | 22,506,411 | 100% |
| **Wealth distributed** | | | | |
| Brought-in-material & services | 19,549,311 | 62% | 15,121,377 | 67% |
| **Salaries, benefits and other costs of employees** | | | | |
| Remuneration benefit and facilities | 4,096,538 | 13% | 3,574,060 | 16% |
| **Taxes & duties to Government** | | | | |
| Income tax | 231,284 | 1% | 52,052 | 0% |
| Workers' welfare fund | 22,706 | 0% | 16,686 | 0% |
| Workers' porfit participation fund | 300,626 | 1% | 136,641 | 1% |
| Sales tax | 25,632 | 0% | 12,296 | 0% |
| | 580,248 | 2% | 217,675 | 1% |
| **To Provider of capital** | | | | |
| Cash dividend to shareholder | 2,053,565 | 7% | 1,092,723 | 5% |
| Finance cost | 155,892 | 0% | 85,729 | 0% |
| | 2,209,458 | 7% | 1,178,452 | 5% |
| **To Society** | | | | |
| Donation towards education and health | 12,281 | 0% | 10,100 | 0% |
| **Retained in the business** | | | | |
| For replacement of fixed asset depreciation and amortization | 933,609 | 3% | 745,374 | 3% |
| Retained for reinvestment and future growth | 3,936,245 | 13% | 1,659,373 | 7% |
| | 4,869,854 | 22% | 2,404,747 | 11% |
| | 31,317,689 | 100% | 22,506,411 | 100% |

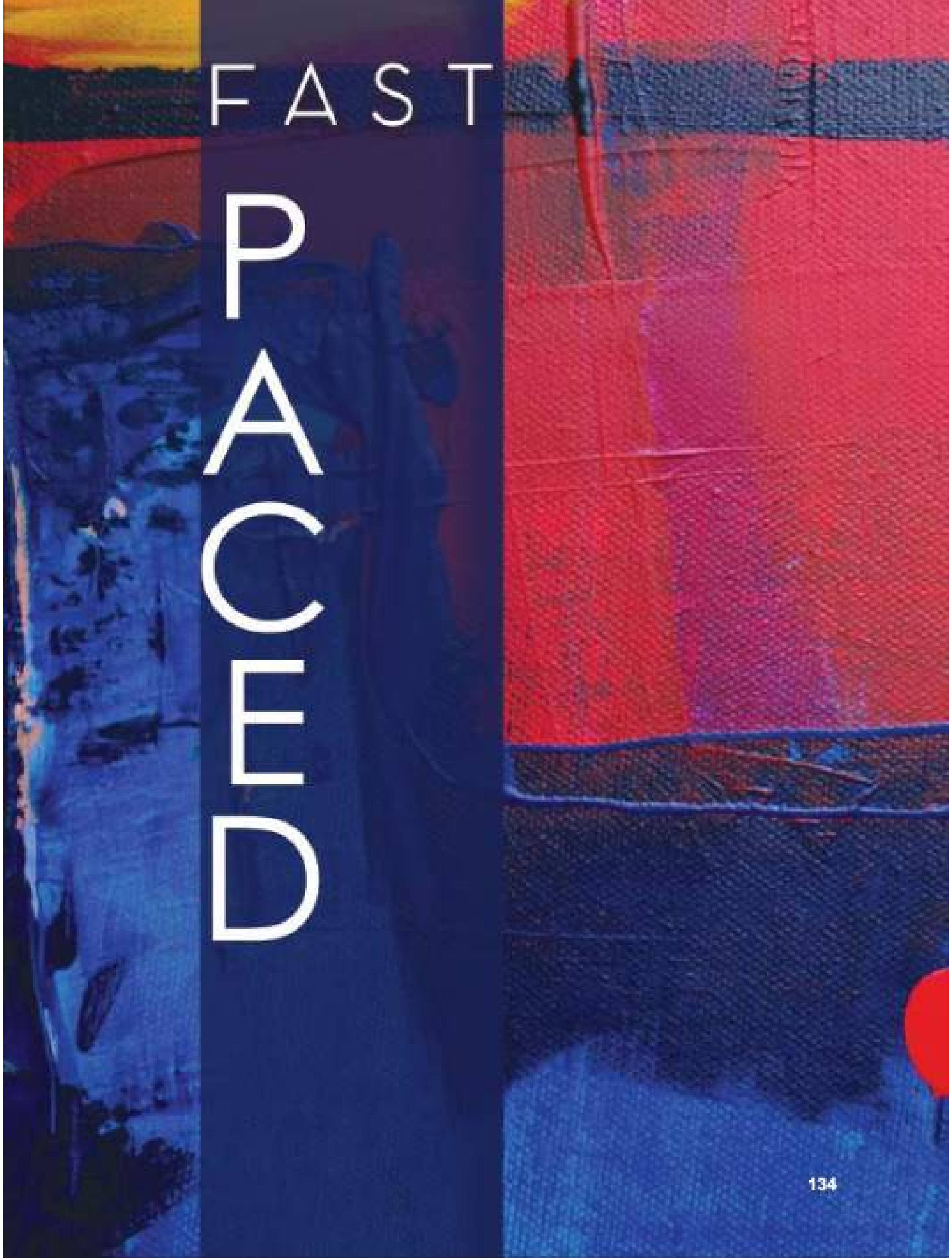


## STATEMENT OF CASH FLOWS – DIRECT METHOD

| | 2019 Rupees in '000 | 2018 Rupees in '000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Proceed from customer | 28,486,939 | 21,438,986 |
| Proceed of Government refundables | 1,405,610 | 596,554 |
| | 29,892,549 | 22,035,540 |
| Payment to suppliers | (22,240,824) | (16,198,175) |
| Payment to employees | (3,907,826) | (3,383,329) |
| Deposit paid | (8,046) | (1,230) |
| Income tax paid | (281,827) | (217,780) |
| Finance cost paid | (123,636) | (72,229) |
| | (26,562,159) | (19,872,744) |
| | 3,330,390 | 2,162,796 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (3,633,853) | (3,441,082) |
| Proceeds from disposal of operating fixed assets | 73,332 | 65,455 |
| Profit received on short term investment | 53,439 | - |
| Net cash used in investing activities | (3,507,082) | (3,375,627) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid | (2,053,066) | (1,092,427) |
| Short term borrowings – net | 3,940,000 | 2,050,000 |
| Long term financing – net | 1,354,092 | 365,691 |
| Net cash generated from financing activities | 3,241,026 | 1,323,264 |
| Net increase in cash and cash equivalents | 3,064,334 | 110,433 |
| Cash and cash equivalents at the beginning of the year | 203,364 | 92,931 |
| Cash and cash equivalents at the end of the year | 3,267,698 | 203,364 |

## FREE CASH FLOW TO THE FIRM

| | 2019 Rupees in '000 | 2018 Rupees in '000 |
|---|---|---|
| Operating Profit | 6,376,987 | 2,889,878 |
| Add: Depreciation & amortization | 933,609 | 745,374 |
| Less: Working capital changes | (3,669,587) | (1,228,350) |
| Less: Capital expenditures - net | (3,560,522) | (3,375,628) |
| **Free cash flow to the firm** | 80,487 | (968,726) |



# FAST PACED

Being the largest manufacturer of Terry Textile products in Pakistan, Feroze1888 realizes the importance of continuous growth in all aspects of Manufacturing Excellence either it be the capacity enhancement, introduction of sustainable cutting edge technology, nurturing our talent pool, creating employment or giving back to the society.

## STATEMENT OF UNRESERVED COMPLIANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The Financial Statements of the Company have been prepared inaccordance with the International Financial Reporting Standards issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017. Further, there are certain standards and interpretations which are yet to be effective in Pakistan and certain standards not adopted by SECP, as disclosed in note 2.3 of the unconsolidated and consolidated financial statements.

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# INDEPENDENT AUDITORS' REPORT

## To the members of Feroze1888 Mills Limited

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

### Opinion

We have audited the annexed unconsolidated financial statements of **Feroze1888 Mills Limited** (the Company), which comprise the unconsolidated statement of financial position as at **30 June 2019**, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of cash flows, the unconsolidated statement of changes in equity for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of cash flows, the unconsolidated statement of changes in equity for the year then ended together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, other comprehensive income, its cash flows and the changes in equity for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

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Following are the key audit matters:

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| **1. Capital expenditure for capacity enhancement** | |
| As disclosed in note 5 to the accompanying unconsolidated financial statements, the Company has incurred significant amount of capital expenditure during the year for enhancement of production capacity. To finance the above capital expenditures, the Company has obtained long and short term financings as disclosed in note 14 and 16 to the accompanying unconsolidated financial statements.<br><br>Capital expenditures incurred during the year represents a significant transaction and involves significant judgments in respect of capitalisation of elements of eligible components of costs, including borrowing costs, as per the applicable reporting standards to determining, when the assets are available for use and estimation of useful life and residual value. Further, financing agreements entail financial and non-financial covenants that the Company is subject to compliance.<br><br>Accordingly, we have identified the capital expenditure and related financing as a key audit matter. | Our procedures, amongst others, included obtaining an understanding of the Company's process with respect to capital expenditure including determination of useful lives and tested the Company's controls in this area relevant to our audit.<br><br>We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost.<br><br>We considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.<br><br>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.<br><br>We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful live.<br><br>We obtained and reviewed the financing agreements executed and inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance and circularized confirmations to the financing banks with respect to outstanding loan balances at year end.<br><br>We assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements. |

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| Key audit matters | How the matter was addressed in our audit |
|---|---|
| **2. First time adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contract with Customers'** | |
| As referred to in note 3.2 to the accompanying unconsolidated financial statements, the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contract with Customers' with effect from 1 July 2018.<br><br>IFRS 9 requires the Company to make provision using expected credit losses (ECL) approach as against the incurred loss model previously applied by the management. The management has determined that the most significant impact on the new standard on the Company's unconsolidated financial statements relates to the calculation of ECL against trade debts.<br><br>Assessment of provision for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking information.<br><br>IFRS 15 provides comprehensive model of revenue recognition along with detailed presentation and disclosure requirements. The standard requires the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the model to contracts with customers.<br><br>Given the significance of the judgments related particularly to the estimation of ECL and to the timing and measurement of revenue recognition as well as incremental qualitative and quantitative disclosure, we considered these as a key audit matter. | In order to assess the appropriateness of the management's judgement and estimate, our key audit procedures included, among others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts .We also considered additional processes and controls established by the management with respect to revenue recognition.<br><br>We considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimate. Further, we assessed the integrity and quality of the data used for ECL computation by matching the same with the accounting records and information system of the Company. We also checked the mathematical accuracy of the ECL computation on a sample basis.<br><br>We reviewed the assessment prepared by the management relating to the application of five-step model for revenue recognition. We assess the reasonableness of judgments exercised by the management. We also considered and reviewed, on a sample basis, terms of revenue contracts and evaluated the timing and amount of revenue recognised.<br><br>In addition to the above, we assessed the adequacy of disclosures in the accompanying unconsolidated financial statements of the Company regarding application of IFRS 9 and 15 as per the requirements of the above standards. |

**Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of cash flows and the unconsolidated statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditors' report is Mr. Shaikh Ahmed Salman.

EY Ford Rhodes

**Chartered Accountants**

**Place:** Karachi

**Date:** 17 September 2019

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT JUNE 30, 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------(Rupees in '000)------ | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | 13,458,882 | 10,846,978 |
| Intangible assets | 5 | 1,852 | 1,870 |
| Long term investments | 6 | 186,153 | - |
| Long term deposits | | 16,380 | 8,333 |
| | | 13,663,267 | 10,857,181 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 7 | 908,514 | 632,710 |
| Stock-in-trade | 8 | 6,411,087 | 3,892,270 |
| Trade debts | 9 | 7,629,994 | 5,191,492 |
| Advances, deposits, prepayments and other receivables | 10 | 1,604,581 | 2,143,315 |
| Taxation – net | | 482,195 | 431,649 |
| Cash and bank balances | 11 | 3,267,698 | 203,364 |
| | | 20,304,069 | 12,494,800 |
| **Total assets** | | 33,967,336 | 23,351,981 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised share capital 400,000,000 (2018: 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 |
| Reserves | 13 | 16,335,440 | 12,399,195 |
| | | 20,103,449 | 16,167,204 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred liability | 14 | 143,494 | - |
| Long term financing | 15 | 1,991,546 | 750,334 |
| | | 2,135,040 | 750,334 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | 4,910,688 | 3,701,919 |
| Short term borrowings | 17 | 6,490,000 | 2,560,000 |
| Accrued mark-up | 18 | 50,898 | 18,642 |
| Current portion of long term financing | 15 | 275,388 | 162,508 |
| Unclaimed dividend | | 1,873 | 1,150 |
| Unpaid dividend | | - | 224 |
| | | 11,728,847 | 6,434,443 |
| **CONTINGENCIES AND COMMITMENTS** | 19 | | |
| **Total equity and liabilities** | | 33,967,336 | 23,351,981 |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| Sales | 20 | 29,243,547 | 21,775,447 |
| Cost of sales | 21 | (21,605,821) | (16,950,429) |
| **Gross profit** | | 7,637,726 | 4,825,018 |
| Administrative cost | 22 | (1,030,515) | (929,747) |
| Distribution cost | 23 | (1,921,999) | (1,511,757) |
| Other expenses | 24 | (356,736) | (212,307) |
| | | (3,309,250) | (2,653,811) |
| | | 4,328,476 | 2,171,207 |
| Other income | 25 | 2,048,510 | 718,671 |
| **Operating Profit** | | 6,376,986 | 2,889,878 |
| Finance cost | 26 | (155,892) | (85,729) |
| **Profit before taxation** | | 6,221,094 | 2,804,149 |
| Taxation | 27 | (231,284) | (52,052) |
| **Net profit for the year** | | 5,989,810 | 2,752,097 |
| **Earnings per share - Basic and diluted (Rupees)** | 28 | 15.90 | 7.30 |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# UNCONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Net profit for the year | 5,989,810 | 2,752,097 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | 5,989,810 | 2,752,097 |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# UNCONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 6,221,094 | 2,804,149 |
| **Adjustments for:** | | |
| Impairment | - | 606 |
| Depreciation | 933,095 | 745,112 |
| Amortization | 514 | 262 |
| Loss on disposal of property, plant and equipment | 15,026 | 46,530 |
| Non-management staff gratuity | 143,494 | - |
| Profit on short term investment | (55,627) | - |
| Finance cost | 155,892 | 85,729 |
| | 1,192,394 | 878,241 |
| | 7,413,488 | 3,682,390 |
| **(Increase) / decrease in current assets** | | |
| Stores and spares | (275,804) | (134,677) |
| Stock-in-trade | (2,518,817) | (254,560) |
| Trade debts | (2,438,502) | (837,300) |
| Advances, deposits, prepayments and other receivables | 354,769 | (526,449) |
| | (4,878,354) | (1,752,986) |
| | 2,535,134 | 1,929,404 |
| **Increase in current liabilities** | | |
| Trade and other payables | 1,208,769 | 524,631 |
| **Cash generated from operations** | 3,743,903 | 2,454,035 |
| Finance costs paid | (123,636) | (72,229) |
| Income taxes paid | (281,830) | (217,780) |
| Long-term deposits | (8,047) | (1,230) |
| **Net cash generated from operating activities** | 3,330,390 | 2,162,796 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (3,633,853) | (3,441,082) |
| Proceeds from disposal of operating fixed asset | 73,332 | 65,455 |
| Profit received on short term investment | 53,439 | - |
| **Net cash used in investing activities** | (3,507,082) | (3,375,627) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid* | (2,053,066) | (1,092,427) |
| Short term borrowings – net* | 3,940,000 | 2,050,000 |
| Long term financing – net* | 1,354,092 | 365,691 |
| **Net cash used in financing activities** | 3,241,026 | 1,323,264 |
| **Net decrease in cash and cash equivalents** | 3,064,334 | 110,433 |
| **Cash and cash equivalents at the beginning of the year** | 203,364 | 92,931 |
| **Cash and cash equivalents at the end of the year** | 3,267,698 | 203,364 |

* No non-cash item is included in these activities.

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED JUNE 30, 2019

| | Share capital | Capital reserve: Amalgamation reserve | Capital reserve: Share premium | Capital reserve: Revaluation surplus on property, plant and equipment | Revenue reserve: Accumulated profit | Reserves | Total |
|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | | | | | |
| **Balance as at June 30, 2017** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **8,482,149** | **10,739,820** | **14,507,829** |
| Net profit for the year | - | - | - | - | 2,752,097 | 2,752,097 | 2,752,097 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 2,752,097 | 2,752,097 | 2,752,097 |
| Final cash dividend for the year ended June 30, 2017 @ Rs.1.70 per share | - | - | - | - | (640,561) | (640,561) | (640,561) |
| Interim cash dividend for the year ended June 30, 2018 @ Rs.1.20 per share | - | - | - | - | (452,161) | (452,161) | (452,161) |
| **Balance as at June 30, 2018** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **10,141,524** | **12,399,195** | **16,167,204** |
| Net profit for the year | - | - | - | - | 5,989,810 | 5,989,810 | 5,989,810 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 5,989,810 | 5,989,810 | 5,989,810 |
| Final cash dividend for the year ended June 30, 2018 @ Rs.2.45 per share | - | - | - | - | (923,162) | (923,162) | (923,162) |
| Interim cash dividend for the year ended June 30, 2019 @ Rs.3 per share | - | - | - | - | (1,130,403) | (1,130,403) | (1,130,403) |
| **Balance as at June 30, 2019** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **14,077,769** | **16,335,440** | **20,103,449** |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 1. THE COMPANY AND ITS OPERATIONS

Feroze1888 Mills Limited (the Company) was incorporated in Pakistan on October, 1972 as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in production and export of towels.

### 1.1 Geographical location and address of business units

| | |
|---|---|
| Registered Office | H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi |
| Office building | Plot # 160, Bangalore Town, Shahrah-e-Faisal Road, Darwaish Colony, Karachi |
| Mill & Production Plant - Sindh | Plot # H-23/4-A and H-23-/4-B, Scheme # 3, Landhi Industrial Area, Karachi<br>B-4/A, SITE, Karachi<br>Plot # A-5, SITE, Karachi<br>Plot # C-3, SITE, Karachi<br>Plot # C-31 SITE, Karachi<br>Plot # F-89, SITE, Karachi<br>Plot # F-125, SITE, Karachi<br>Plot # F-342, SITE, Karachi<br>Plot # D-202, SITE, Karachi<br>Plot # 342/A, Haroonabad, SITE, Karachi<br>Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi |
| Balochistan | Plot # D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, |

These are the separate financial statements of the Company in which investment in subsidiary is stated at cost less impairment, if any.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Act.

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

These unconsolidated financial statements have been prepared on the basis of historical cost convention except for freehold and leasehold land which is carried at revalued amount and staff gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets in accordance with the requirements of IAS 19 "Employee Benefits".

## 2.2 New standards and amendments

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except that the Company has adopted the following amendments of IFRS which became effective for the current year:

IFRS 2 Share based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IAS 40 Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22 Foreign Currency Transactions and Advance Consideration

**Improvements to accounting standard issued by IASB in December 2016**

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's unconsolidated financial statements except for IFRS 15 and IFRS 9. The impact of adoption of IFRS 15 and IFRS 9 are described below:

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the unconsolidated financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation and do not provide customers with a right of return and volume rebate. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, and variable consideration did not have any impact on the revenue recognised by the Company. Therefore, the adoption of IFRS 15 did not have any material impact on the timing of revenue recognition and the amount of revenue recognized.

Further, due to application of the above standards, the Company has revised its policies and incorporate additional disclosures in accordance with the requirements of the above standards in these unconsolidated financial statements.

**IFRS 9 Financial Instruments**

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly includes deposits, trade debts, other receivables, cash and bank balances held with commercial banks.

**Classification and measurement**

IFRS-9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company's Trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The classification and measurement of IFRS-9, as descried above did not have a significant impact on the Company's unconsolidated financial statements.

**Impairment**

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade debts and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any difference in the existing impairment allowances of the Company's debt financial assets.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

**Standards, interpretations and amendments to approved accounting standards that are not yet effective**

2.3 The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | | Effective date (annual periods beginning on after) |
|---|---|---|
| IFRS 3 | Definition of a Business (Amendments) | 01 January 2020 |
| IFRS 3 | Business Combinations: Previously held interests in a joint operation | 01 January 2019 |
| IFRS 4 | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments) | 01 July 2019 |
| IFRS 9 | Prepayment Features with Negative Compensation (Amendments) | 01 January 2019 |
| IFRS 10 / IAS 28 | Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 11 | Joint Arrangements: Previously held interests in a joint operation | 01 January 2019 |
| IFRS 16 | Leases | 01 January 2019 |
| IAS 1/ IAS 8 | Definition of Material (Amendments) | 01 January 2020 |
| IAS 12 | Income Taxes: Income tax consequences of payments on financial instruments classified as equity | 01 January 2019 |
| IAS 19 | Plan Amendment, Curtailment or Settlement (Amendments) | 01 January 2019 |
| IAS 23 | Borrowing Costs - Borrowing costs eligible for capitalisation | 01 January 2019 |
| IAS 28 | Long-term Interests in Associates and Joint Ventures (Amendments) | 01 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 01 January 2019 |

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 16 – Leases. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of unconsolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 1 – First Time adoption of IFRSs | 01 January 2014 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 17 – Insurance Contracts | 01 January 2021 |

The Company expects that above new standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgment, estimates and assumptions that affect the application of policies and the reported amounts of revenues, expenses, assets and liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the unconsolidated financial statements:

**2.4.1 Property, plant and equipment**

The estimates for revalued amounts of freehold and leasehold land are based on valuation performed by external professional valuer and recommendation of in house technical department of the Company. The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on an annual basis. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available to the Company. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

**2.4.2 Stock-in-trade and stores and spares**

The Company reviews the carrying amount of inventories on an ongoing basis and as appropriate, inventory is written down to its net realisable value (NRV) or provision is made for obsolescence. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

**2.4.3 Staff gratuity**

Certain actuarial assumptions have been adopted as disclosed in note 14 to the unconsolidated financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

**2.4.4 Impairment of financial assets**

The Company uses a provision matrix to calculate ECLs for trade debts and other receivables. The provision rates are based on days past due for Company's various customer that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets exposed to credit risk is disclosed in note 34.2.

### 2.4.5 Taxation

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

### 2.4.6 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Property, plant and equipment

**Operating assets**

These are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is stated at revalued amount less impairment, if any. Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates mentioned in note 4.1 to the unconsolidated financial statements except for lease hold improvement which are depreciated on straight line basis at the rates mentioned in note 4.1 to these unconsolidated financial statements. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month on which an asset is disposed off.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of operating assets, if any, are recognized in the statement of profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Increases in the carrying amounts arising on revaluation of land are recognized, in statement of other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in statement of other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

The carrying values of property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

**Capital work-in-progress**

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / installation year. These are transferred to relevant operating fixed assets as and when assets are available for use.

**3.2 Intangible assets**

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged on straight line method. Amortization on additions is charged in the month in which an asset comes into operation while no amortization is charged for the month in which the asset is disposed of.

**3.3 Investment in subsidiary**

Investment in subsidiary is stated at cost less provision for impairment, if any.

**3.4 Stores and spares**

These are valued at lower of moving average cost and estimated net realizable value (NRV) except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Provision, if required is made in the unconsolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

NRV represents estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale

**3.5 Stock-in-trade**

Raw materials and finished goods are valued at lower of average cost and estimated NRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Cost signifies in relation to:

| | |
|---|---|
| Raw and packing material | - Purchase cost on average basis |
| Finished goods and work-in-process | - Cost of direct material, labour and proportion of<br>- manufacturing overheads |
| Stock-in-transit | Invoice value plus other charges paid thereon up to the statement of financial position date |

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

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

Provision, if required is made in the unconsolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

**3.6 Financial instruments**

During the year, the Company has adopted IFRS 9 which became applicable on July 01, 2018. This has resulted in change in accounting policies of the Company for financial instruments. The changes are discussed in note 2.2 to these unconsolidated financial statements. The new accounting policy for financial instruments are as follows:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

**Initial recognition and measurement**

Under IFRS 9 Financial assets are classified, at initial recognition, as subsequently measured at following:
(a) at amortised cost
(b) at fair value through profit or loss(FVTPL); and
(c) at fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

**(a) At amortised cost**

A financial asset is measured at amortised if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(b) At fair value through profit or loss**

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

**(c) At fair value through other comprehensive income**

A debt instruments is measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. However the company is not having any investment in equity instruments.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through profit or loss**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)**

These assets are subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**Financial assets at fair value through OCI with no recycling of cumulative gains and losses (equity instruments)**

These assets are subsequently measured at fair value. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
As at the date of statement of financial position, Company is not having any equity instrument designated at fair value through OCI.

**Derecognition**

A financial asset is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Financial liabilities at amortised cost**

Financial liabilities at amortised cost includes all financial liabilities, other than those measured at fair value through profit or loss, if any.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

**3.7 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 3.8 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability are recognised as revenue when the Company performs under the contract.

### 3.9 Revenue recognition

During the year, the Company has adopted IFRS 15 which became applicable on July 01, 2018. This has resulted in change in accounting policies of the Company for revenue recognition. The changes are discussed in note 2.2 to these unconsolidated financial statements. The new accounting policy for revenue recognition are as follows:

Revenue is recognised at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- Revenue from sale of goods is recognised when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The credit term ordinarily ranges from 30 to 60 days.

### 3.10 Other income

Return on short-term deposits and investments at amortised cost are accounted for using the effective interest rate method.

### 3.11 Advances, deposits, and prepayments

These are stated at cost less provision for doubtful balance, if any.

### 3.12 Share Capital

Ordinary shares are classified as equity and recognized 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.

### 3.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

### 3.14 Unclaimed dividend

Dividend declared and remain unpaid for the period of more than three years from the date it is due and payable.

### 3.15 Unpaid dividend

Dividend declared and remain unpaid for the period of three years from the date it is due and payable.

### 3.16 Taxation

**Current**

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

**Deferred**

Since the major portion of income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these unconsolidated financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales, whereas, temporary differences in respect of other income are expected to be negligible.

### 3.17 Staff benefits

**Defined contribution plan**

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.

**Defined benefit plan**

The Company operates an un-approved and unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits. The latest actuarial valuation was carried out as of June 30, 2019 using Projected Unit Credit method.

**Employees' compensation absences**

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

### 3.18 Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

### 3.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.20 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

### 3.21 Functional and presentation currency

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

### 3.22 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 shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.23 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the unconsolidated financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### 3.24 Contingencies

Contingencies are disclosed when the Company has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### 3.25 Cash and cash equivalents

These are stated at cost.

### 3.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

## 4 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------(Rupees in '000)------ | |
| Operating fixed assets | 4.1 | 11,388,151 | 8,939,671 |
| Capital work-in-progress | 4.7 | 2,070,731 | 1,907,307 |
| | | 13,458,882 | 10,846,978 |

# Feroze1888 Mills Limited

### 4.1 Operating fixed assets

| | Free hold land | Building on freehold land | Lease hold land | Building on leasehold land | Leasehold improvements | Plant and machinery | Electric fittings / equipments | Office equipment | Computers | Furniture and fixtures | Vehicles | Arms and ammunitions | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | | | |
| **As at July 01, 2017** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,399,365 | 1,400,947 | 126,073 | 7,408,468 | 235,771 | 83,917 | 109,954 | 42,946 | 249,783 | 40 | 11,647,322 |
| Accumulated depreciation | - | (94,781) | - | (509,943) | (31,467) | (3,268,595) | (116,885) | (29,278) | (69,839) | (22,174) | (91,669) | (32) | (4,234,663) |
| Net book value | 441,808 | 53,469 | 1,399,365 | 891,004 | 94,606 | 4,139,873 | 118,886 | 54,639 | 40,115 | 20,772 | 158,114 | 8 | 7,412,659 |
| **Year ended June 30, 2018** | | | | | | | | | | | | | |
| Opening net book value | 441,808 | 53,469 | 1,399,365 | 891,004 | 94,606 | 4,139,873 | 118,886 | 54,639 | 40,115 | 20,772 | 158,114 | 8 | 7,412,659 |
| Additions / transfers during the year | - | - | 151,364 | 451,458 | 94,588 | 1,560,438 | 22,096 | 7,190 | 25,010 | 12,503 | 59,460 | - | 2,384,109 |
| Reclassification | - | - | - | - | - | - | - | 8 | - | - | - | (8) | - |
| **Disposals / transfers** | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | (300,191) | - | - | - | - | (36,108) | - | (336,299) |
| Accumulated depreciation | - | - | - | - | - | 201,743 | - | - | - | - | 22,571 | - | 224,314 |
| Net book value | - | - | - | - | - | (98,448) | - | - | - | - | (13,537) | - | (111,985) |
| Depreciation for the year | - | (5,347) | - | (112,931) | (60,818) | (488,542) | (13,133) | (8,811) | (16,053) | (2,325) | (37,152) | - | (745,112) |
| Closing net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| **As at June 30, 2018** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,550,729 | 1,852,405 | 220,661 | 8,668,715 | 257,869 | 91,115 | 134,964 | 55,449 | 273,135 | 32 | 13,696,132 |
| Accumulated depreciation | - | (100,128) | - | (622,874) | (92,285) | (3,555,394) | (130,018) | (38,089) | (85,892) | (24,499) | (106,250) | (32) | (4,756,461) |
| Net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| **Year ended June 30, 2019** | | | | | | | | | | | | | |
| Opening net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| Additions / transfers during the year | - | - | 949 | 1,079,894 | 9,011 | 2,166,202 | 151,230 | 17,711 | 15,275 | 5,582 | 24,022 | - | 3,469,875 |
| **Disposals / transfers** | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | (231,516) | - | (330) | (30) | (84) | (59,636) | - | (291,596) |
| Accumulated depreciation | - | - | - | - | - | 170,311 | - | 221 | 29 | 31 | 32,704 | - | 203,296 |
| Net book value | - | - | - | - | - | (61,205) | - | (109) | (1) | (53) | (26,932) | - | (88,300) |
| Depreciation for the year | - | (4,812) | - | (154,811) | (89,471) | (604,922) | (17,349) | (9,641) | (16,563) | (3,311) | (32,214) | - | (933,095) |
| Closing net book value | 441,808 | 43,310 | 1,551,678 | 2,154,614 | 47,916 | 6,613,396 | 261,732 | 60,987 | 47,784 | 33,168 | 131,761 | - | 11,388,151 |
| **As at June 30, 2019** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,551,678 | 2,932,299 | 229,672 | 10,603,401 | 409,099 | 108,496 | 150,209 | 60,947 | 237,521 | 32 | 16,873,411 |
| Accumulated depreciation | - | (104,940) | - | (777,685) | (181,756) | (3,990,005) | (147,367) | (47,509) | (102,425) | (27,779) | (105,760) | (32) | (5,485,260) |
| Net book value | 441,808 | 43,310 | 1,551,678 | 2,154,614 | 47,916 | 6,613,396 | 261,732 | 60,987 | 47,784 | 33,168 | 131,761 | - | 11,388,151 |
| Annual rates of depreciation | - | 10% | - | 10% | 40% - 65% | 10% | 10% | 15% | 30% | 10% | 20% | 15% | |

4.2 During the year ended June 30, 2017, four of the Company's plots of land were revalued resulting in surplus of Rs. 1,499 million. The valuation was carried out by an independent valuer - M/s. Joseph Lobo (Private) Limited on May 22, 2017 on the basis of present market values for similar sized plots in the vicinity of land and replacement values of similar type of land based on present cost (level 2).

Had there been no revaluation the net book value of freehold and leasehold land would have been Rs.145.68 million (2018: Rs.145.68) and Rs.196.49 million (2018: Rs.196.49), respectively.

4.3 Forced Sale value as per the last revaluation report as of June 30, 2017 of freehold and lease hold land is Rs.441.81 million and Rs.1,399.36 million, respectively.

**4.4 Particular of Immovable Asset in the name of the Company are as follows:**

| Particular | Location | Total area(in acres) |
|---|---|---|
| Production Plant | H- 23/4 A & B Scheme no. 3, Landhi Industrial Area, Karachi. | 23.75 |
| Production Plant | Survey no. 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C no. 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi | 149.23 |
| Production Plant | Plot no. 342-A, Haroonabad Industrial Area. | 0.04 |
| Production Plant | Plot no. D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Baluchistan. | 18.75 |

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

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Cost of sales | 844,463 | 672,284 |
| Administrative cost | 88,632 | 72,828 |
| | 933,095 | 745,112 |

4.6 The aggregate book value of disposal of property, plant & equipment has exceeds Rs. 5,000,000 during the year for which the detail of disposals of property, plant & equipment having book value of more than Rs 500,000 during the year are as follows:

| Particular | Cost | Accumulated Depreciation | Book Value | Sale Proceed | Gain / (Loss) | Mode of Disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|---|
| **Plant and Machinery** | | | | | | | |
| Absorption chiller 200 ton | 3,132,646 | 2,424,868 | 707,778 | 1,150,000 | 442,222 | Negotiation | Noor Hakeem |
| Warping machine | 13,587,875 | 11,667,961 | 1,919,914 | 1,900,000 | (19,914) | Negotiation | Falak |
| Comber machine | 19,820,518 | - | 19,820,518 | 8,100,000 | (11,720,518) | Negotiation | Ashraf Ali |
| Containers 40 & 20 feet | 2,350,450 | 1,638,120 | 712,330 | 935,000 | 222,670 | Negotiation | Mubashir Ali |
| Loop dryer | 9,995,143 | 7,661,324 | 2,333,819 | 1,450,000 | (883,819) | Negotiation | Falak |
| Proctor loop dryer | 22,677,098 | 16,482,765 | 6,194,333 | 950,000 | (5,244,333) | Negotiation | Humayun Niaz |
| Salvade dryer with coilns | 38,592,186 | 29,447,575 | 9,144,611 | 1,200,000 | (7,944,611) | Negotiation | Shahbaz Ali |
| Sizing machine | 35,104,436 | 30,105,893 | 4,998,543 | 2,850,000 | (2,148,543) | Negotiation | Humayun Niaz |
| Sulzer loom P7100 | 1,810,000 | 1,294,069 | 515,931 | 750,000 | 234,069 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 1,810,000 | 1,294,069 | 515,931 | 750,000 | 234,069 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,115,725 | 1,445,640 | 670,085 | 750,000 | 79,915 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,136,725 | 1,459,989 | 676,736 | 750,000 | 73,264 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,149,925 | 1,469,009 | 680,916 | 750,000 | 69,084 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,169,897 | 1,482,655 | 687,242 | 750,000 | 62,758 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7250 | 9,602,688 | 7,934,306 | 1,668,382 | 2,000,000 | 331,618 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7250 | 9,602,688 | 7,934,306 | 1,668,382 | 2,000,000 | 331,618 | Negotiation | Muhammad Ali Hashmani |
| Warping machine | 3,760,902 | 3,246,460 | 514,442 | 1,300,000 | 785,558 | Negotiation | Shah Deen |
| Warping machine | 3,760,902 | 3,223,287 | 537,615 | 765,000 | 227,385 | Negotiation | Falak |
| Sub total | 184,179,804 | 130,212,297 | 53,967,507 | 29,100,000 | (24,867,507) | | |
| **Motor Vehicle** | | | | | | | |
| Honda Civic (BHQ- 213) | 2,497,000 | 665,867 | 1,831,133 | 1,680,000 | (151,133) | Negotiation | Allied Shippers |
| Honda City (BKR-135) | 1,688,000 | 253,200 | 1,434,800 | 1,700,000 | 265,200 | Negotiation | Shumaila Iqbal |
| Toyota Corolla (BHL-370) | 1,862,500 | 701,542 | 1,160,958 | 1,300,000 | 139,042 | Negotiation | Usama humayun |
| Toyota Hiace (JF-5342) | 3,550,000 | 2,608,079 | 941,921 | 1,500,000 | 558,079 | Negotiation | Syed Barkat Ali |
| Suzuki Cultus (BKD-892) | 1,250,000 | 365,278 | 884,722 | 1,134,933 | 250,211 | Employee | Imran Nasir |
| Honda City (BEY-903) | 1,527,000 | 676,766 | 850,234 | 1,235,689 | 385,455 | Ex-Employee | Waqar Shamim |
| Suzuki Cultus (BHD-462) | 1,199,000 | 351,707 | 847,293 | 1,116,224 | 268,931 | Negotiation | Muhammad Ali Khan |
| Suzuki Cultus (BHD-827) | 1,199,000 | 450,558 | 748,442 | 986,058 | 237,616 | Employee | Shoaib Manzoor |
| Suzuki Cultus (BJF-034) | 1,204,000 | 456,717 | 747,283 | 1,006,030 | 258,747 | Employee | Abdul Waheed |
| Suzuki Cultus (BHG-201) | 1,199,000 | 465,212 | 733,788 | 970,263 | 236,475 | Ex-Employee | Kaleem Ullah Khan |
| Suzuki Mehran (BLD-598) | 802,000 | 140,796 | 661,204 | 802,000 | 140,796 | Insurance Claim | EFU & Jublee Insurance |
| Suzuki Cultus (BFB-491) | 1,169,000 | 517,477 | 651,523 | 868,988 | 217,465 | Employee | Saima Yasir |
| Suzuki Mehran (BKZ-697) | 802,000 | 153,271 | 648,729 | 802,000 | 153,271 | Insurance Claim | EFU & Jublee Insurance |
| Suzuki Mehran (BKW-676) | 732,000 | 139,893 | 592,107 | 724,680 | 132,573 | Ex-Employee | Muhammad Waqar |
| Honda City (BAR-392) | 1,542,000 | 1,001,979 | 540,021 | 446,715 | (93,306) | Employee | Muhammad Asif Shaikh |
| Suzuki Cultus (BDF-266) | 1,085,000 | 566,052 | 518,948 | 683,161 | 164,213 | Employee | Hamood Uddin |
| | 23,307,500 | 9,514,394 | 13,793,106 | 16,956,741 | 3,163,635 | | |
| Grand total of 2019 | 207,487,304 | 139,726,690 | 67,760,614 | 46,056,741 | (21,703,873) | | |

*None of the directors or the Company has any relationship with the purchaser or employee.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **4.7** | **Capital work-in-progress** | | (Rupees in '000) | |
| | Building on leasehold land | | 920,831 | 819,315 |
| | Plant and machinery | | 918,982 | 888,795 |
| | Furniture and fixtures | | 163 | 459 |
| | Equipment | | 51,147 | 16,361 |
| | Leasehold improvement | | 22,012 | 3,000 |
| | | 4.7.1 | 1,913,134 | 1,727,930 |
| | Advance for capital expenditure | | 157,597 | 179,377 |
| | | | 2,070,731 | 1,907,307 |
| **4.7.1** | **The movement is as follows:** | | | |
| | Balance at the beginning of the year | | 1,727,930 | 551,795 |
| | **Capital expenditure during the year** | | | |
| | Building on leasehold land | | 1,180,931 | 925,753 |
| | Plant and machinery | | 2,079,423 | 2,146,660 |
| | Computer | | 5,408 | 10,952 |
| | Furniture and fixtures | | 3,457 | 38,065 |
| | Equipments | | 194,284 | 589 |
| | Leasehold improvement | | 28,023 | 94,588 |
| | | | 3,491,526 | 3,216,607 |
| | **Transfer to operating fixed assets** | | | |
| | Building on leasehold land | | (1,079,416) | (451,441) |
| | Plant and machinery | | (1,967,185) | (1,448,678) |
| | Computers | | (5,408) | (11,577) |
| | Furnitures and fixtures | | (3,752) | (26,172) |
| | Equipments | | (159,498) | (589) |
| | Leasehold improvements | | (9,011) | (94,588) |
| | | | (3,224,271) | (2,033,045) |
| | Transfer to expenses / adjustment | | (82,052) | (7,427) |
| | | | 1,913,134 | 1,727,930 |
| **5** | **INTANGIBLE ASSETS – Software** | | | |
| | **Cost** | | | |
| | Opening as at July 1 | | 35,215 | 36,058 |
| | Additions during the year | | 496 | 1,956 |
| | Write-off/ transferred from operating fixed assets | | - | (2,799) |
| | Closing balance | | 35,711 | 35,215 |
| | **Accumulated amortization** | | | |
| | Opening as at July 1 | | (33,345) | (33,083) |
| | Charge for the year | 5.1 | (514) | (262) |
| | Closing balance | | (33,859) | (33,345) |
| | **Net book value as at June 30** | | 1,852 | 1,870 |
| | **Annual rates of amortization** | | 20% | 20% |

5.1 This represents the amortization charged to cost of sales.

## 6 LONG TERM INVESTMENT

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----(Rupees in '000)------ | |
| **At cost** | | | |
| Investment in subsidiary | | 608 | 608 |
| Less: Provision for impairment | 6.1 | (608) | (608) |
| | | - | - |
| **At amortised cost** | | | |
| Sales tax refund bonds | | 186,000 | - |
| Add: Accrued profit | 6.2 | 153 | - |
| | | 186,153 | - |
| | | 186,153 | - |

6.1 During the year, the shareholders of Feroze1888 through special resolution in annual general meeting held on October 27, 2018, approved the voluntary winding up of its subsidiary, Xublimity (Private) Limited, a subsidiary company with 76% shareholding of the Company, and in this respect a liquidator was appointed with effect from November 05, 2018. All the relevant legal formalities and filing requirements as required under the Companies Act, 2017 were fulfilled on March 29, 2019. The same has been acknowledged and registered by SECP through letter dated April 18, 2019 and subsidiary company, Xublimity (Private) Limited, shall stand dissolved after 90 days of the said letter.

6.2 This represents the 1,860 sales tax refund bonds of Rs.100,000 each issued by the FBR Refund Settlement Company (Private) Limited on June 27, 2019 in lieu of payments of sales tax. These bonds carry profit @10% per annum and maturity latest by June 27, 2022.

## 7 STORES AND SPARES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----(Rupees in '000)---- | |
| General stores | | 333,238 | 373,210 |
| Chemicals | | 334,634 | 260,545 |
| Packing stores | | 201,034 | 143,465 |
| | | 868,906 | 777,220 |
| Stores and spares in transit | | 71,892 | 40,954 |
| Less: Provision for slow moving | 7.1 | (32,284) | (185,464) |
| | | 908,514 | 632,710 |

7.1 Movement of provision for slow moving and obsolete stores and spares is as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Balance at the beginning of the year | | 185,464 | 185,464 |
| Charge for the year | | 8,356 | - |
| Reversal during the year | | (161,536) | - |
| Balance at the end of the year | | 32,284 | 185,464 |

## 8 STOCK-IN-TRADE

| | Note | 2019 | 2018 |
|---|---|---|---|
| Raw material in: | | | |
| - hand | | 2,931,448 | 1,554,945 |
| - transit | | 51,101 | 20,583 |
| | | 2,982,549 | 1,575,528 |
| Work-in-process | 8.1 | 2,330,145 | 1,470,271 |
| Finished goods | 8.2 & 8.3 | 1,098,393 | 846,471 |
| | | 6,411,087 | 3,892,270 |

8.1 This include inventory of Rs.305.16 million (2018: Rs.153.50 million) held with the various parties for processing.

8.2 The amount of finished goods witten down to NRV was Rs.261.96 million (2018: Rs.120.56 million).

8.3 Finished goods include stock in transit of Rs.236.98 million (2018: Rs.369.25 million).

| 9 | TRADE DEBTS – considered good | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Export | 9.1 | 7,617,757 | 5,171,521 |
| | Local | | 12,237 | 19,971 |
| | | | 7,629,994 | 5,191,492 |

9.1 This include an amount of Rs.69.36 million (2018: nil) due from a related party.

9.2 The maximum amount due from related parties, at the end of any month during the year were Rs.801.66 million (June 30, 2018: Rs.432.74 million) and balance outstanding from related party as at June 30, 2019 is not past due.

| 10 | Advances, deposits, prepayments and other receivables | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | **Advances** | | | |
| | - suppliers | 10.1 | 145,802 | 313,181 |
| | - employees | | 465 | 575 |
| | | | 146,267 | 313,756 |
| | **Deposits** | 10.2 | 46,268 | 27,587 |
| | **Prepayments** | 10.3 | 161,378 | 7,562 |
| | **Other receivables** | | | |
| | Sales tax refundable | | 181,568 | 299,027 |
| | Export rebate / duty drawback | | 501,959 | 352,527 |
| | Due from Government | 10.4 | 507,931 | 1,121,347 |
| | Others | | 59,210 | 21,509 |
| | | | 1,250,668 | 1,794,410 |
| | | | 1,604,581 | 2,143,315 |

10.1 These represents interest free advances to suppliers having maturity latest by August 2019

| Jurisdiction | Name |
|---|---|
| North America | Synavax Inc. |
| Middle East | Caterpillar SARL.<br>MTU Middle East FZE |
| Europe | Remako Paper & Board B.V.<br>Saurer Spinning Solutions Gmbh & Co Kg<br>Legrom GMBH |
| Asia | Sudiva Spinners Private Limited<br>Jiaozuo Yuanbo Environment Protection Technology Company Limited<br>Battery Asia (S) Pte Limited<br>Trident Limited |

10.2 Include amount of Rs. 28.63 million paid to a related party (2018: Rs. 27.6 million).

10.3 This includes balance of Rs.156.098 million outstanding with related party.

| | | 2019 | 2018 |
|---|---|---|---|
| | | ------ (Rupees in '000) ------ | |
| **10.4** | **Due from government** | | |
| | - Drawback of Local Taxes and Levies (DLTL) receivable | **317,291** | 951,098 |
| | - Technology Upgradation Fund Scheme | **89,278** | 122,560 |
| | - Mark-up receivable | **101,362** | 47,689 |
| | | **507,931** | 1,121,347 |
| **11** | **CASH AND BANK BALANCES** | | |
| | Cash in hand | **1,979** | 2,826 |
| | **Bank Balances - current account** | | |
| | Local currency | **3,178,126** | 82,603 |
| | Foreign currency | **87,593** | 117,935 |
| | | **3,265,719** | 200,538 |
| | | **3,267,698** | 203,364 |

## 12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| Number of Shares | | | ------ (Rupees in '000) ------ | |
| **116,728,612** | 116,728,612 | Ordinary shares of Rs.10 each fully paid in cash | **1,167,286** | 1,167,286 |
| **859,020** | 859,020 | Issued as bonus shares | **8,590** | 8,590 |
| **259,213,336** | 259,213,336 | Issued against consideration other than cash – assets | **2,592,133** | 2,592,133 |
| **376,800,968** | 376,800,968 | | **3,768,009** | 3,768,009 |

12.1 As at June 30, 2019, institutions and others held 28,637,057 and 348,163,911 shares, respectively (June 30, 2018: 71 and 376,800,897). Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

12.2 Associated company and undertakings held an aggregate of 58,387,959 (2018: 70,346,459) ordinary shares in the Company as at year end.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **13** | **RESERVES** | | ------ (Rupees in '000) ------ | |
| | **Capital Reserve** | | | |
| | Merger reserve | 13.1 | **543,413** | 543,413 |
| | Share premium | 13.2 | **215,250** | 215,250 |
| | Revaluation surplus on property, plant and equipment | | **1,499,008** | 1,499,008 |
| | | | **2,257,671** | 2,257,671 |
| | **Revenue Reserve** | | | |
| | Accumulated profit | | **14,077,769** | 10,141,524 |
| | | | **16,335,440** | 12,399,195 |

13.1 This represents merger surplus created at the time of merger between Feroze1888 Mills Limited and Feroze Textile Industries (Private) Limited in the year 2011-12.

13.2 The share premium account is a capital reserve and can be applied only in accordance with provisions of section 81 of the Companies Act, 2017.

## 14 DEFERRED LIABIILITY

During the year, the Company has introduced a gratuity scheme. In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2019, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligation in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above mentioned scheme is as follows:

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | -------(Rupees in '000) | ------- |
| | Defined benefit obligation - Gratuity Scheme | 14.1 | 143,494 | - |
| **14.1** | **Amounts recognised in the statement of financial position as follows:** | | | |
| | Present value of defined benefit obligation | | 143,494 | - |
| | Fair value of plan assets | | - | - |
| | | | 143,494 | - |
| **14.2** | **Movement in the present value of defined benefit obligation** | | | |
| | Opening balance | | | |
| | Current service cost | | 143,494 | - |
| | Closing balance | | 143,494 | - |
| **14.3** | **Movement in the fair value of plan assets** | | | |
| | Opening balance | | | |
| | Current service cost | | - | - |
| | Closing balance | | - | - |
| | | | - | - |
| **14.4** | **Movement in net liability** | | | |
| | Opening balance | | - | - |
| | Charge for the year | | 143,494 | - |
| | Closing balance | | 143,494 | - |
| **14.5** | **Amounts have been charged in the statement of profit or loss in respect of these benefits:** | | | |
| | Current service cost | | 143,494 | - |
| **14.6** | **Actuarial assumptions** | | | |
| | Valuation discount rate per annum | | 14.50% | - |
| | Salary increase rate per annum | | 14.50% | - |
| | Expected return on plan assets per annum | | - | - |
| | Normal retirement age of employees | | 60 years | - |

**Sensitivity analysis for actuarial assumptions**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | |
|---|---|---|
| | 0.5% increase | 0.5% decrease |
| **Assumptions** | ------- (Rupees in '000) ------- | |
| Effect of change in discount rate | 135,426 | 152,408 |
| Effect of change in future salary increase | 152,700 | 135,097 |

14.8 As of June 30, 2019, a total of 4,180 employees have been covered under the above scheme.

14.9 As per the recommendation of the actuary, the charge for the year ending June 30, 2020 amounts to Rs.111.680 million.

| | Note | 2019 | 2018 |
|---|---|---|---|
| **15 LONG TERM FINANCING - secured** | | ------- (Rupees in '000) ------- | |
| Term loans | 15.1 | **2,266,934** | 912,842 |
| Current portion | | **(275,388)** | (162,508) |
| | | **1,991,546** | 750,334 |

**15.1 Term loans**

| Banks | Term | Repayment period | | |
|---|---|---|---|---|
| Habib Metropolitan Bank Limited | 8 Half yearly | 2017-2020 | **8,546** | 14,245 |
| | 8 Half yearly | 2017-2021 | **12,000** | 18,000 |
| | 8 Half yearly | 2017-2021 | **26,348** | 39,524 |
| | 10 Half yearly | 2018-2023 | **88,000** | 110,000 |
| | 10 Half yearly | 2019-2023 | **71,550** | 79,500 |
| | 10 Half yearly | 2019-2023 | **32,400** | 36,000 |
| | 10 Half yearly | 2019-2023 | **19,800** | 22,000 |
| | 10 Half yearly | 2019-2023 | **22,050** | 24,500 |
| | 10 Half yearly | 2019-2023 | **31,500** | 35,000 |
| | 10 Half yearly | 2019-2023 | **48,600** | 54,000 |
| | 10 Half yearly | 2019-2023 | **48,600** | 54,000 |
| | 10 Half yearly | 2019-2024 | **42,000** | 42,000 |
| | 10 Half yearly | 2020-2024 | **35,500** | - |
| | 10 Half yearly | 2020-2025 | **26,000** | - |
| | 10 Half yearly | 2020-2025 | **399,000** | - |
| | 10 Half yearly | 2020-2025 | **14,500** | - |
| | 10 Half yearly | 2020-2025 | **65,500** | - |

| | | | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| Faysal Bank Limited | 16 Quarterly | 2017-2021 | **24,818** | 37,234 |
| | 16 Quarterly | 2017-2021 | **10,496** | 15,746 |
| | 16 Quarterly | 2017-2021 | **19,000** | 28,500 |
| | 16 Quarterly | 2017-2021 | **22,452** | 33,676 |
| | 16 Quarterly | 2017-2021 | **32,696** | 49,048 |
| | 16 Quarterly | 2017-2021 | **60,779** | 91,167 |
| | 20 Quarterly | 2019-2024 | **22,300** | 22,300 |
| | 20 Quarterly | 2019-2024 | **40,400** | 40,400 |
| | 20 Quarterly | 2019-2024 | **31,000** | 31,000 |
| | 20 Quarterly | 2019-2024 | **35,000** | 35,000 |
| | 10 Half yearly | 2020-2024 | **59,300** | - |
| | 10 Half yearly | 2020-2024 | **43,000** | - |
| | 10 Half yearly | 2020-2024 | **68,500** | - |
| Habib Bank Limited | 10 Half yearly | 2020-2024 | **25,500** | - |
| | 10 Half yearly | 2020-2024 | **27,000** | - |
| | 10 Half yearly | 2020-2024 | **32,000** | - |
| | 10 Half yearly | 2020-2024 | **7,300** | - |
| | 10 Half yearly | 2020-2024 | **137,000** | - |
| | 10 Half yearly | 2020-2025 | **6,300** | - |
| | 10 Half yearly | 2020-2025 | **22,000** | - |
| | 10 Half yearly | 2020-2025 | **151,500** | - |
| | 10 Half yearly | 2020-2025 | **91,400** | - |
| Bank AL Habib Limited | 10 Half yearly | 2020-2024 | **19,000** | - |
| | 10 Half yearly | 2020-2025 | **16,000** | - |
| | 10 Half yearly | 2020-2025 | **30,000** | - |
| | 10 Half yearly | 2020-2025 | **5,000** | - |
| | 10 Half yearly | 2020-2025 | **48,000** | - |
| | 10 Half yearly | 2020-2025 | **28,000** | - |
| | 10 Half yearly | 2020-2025 | **41,500** | - |
| | 10 Half yearly | 2020-2025 | **51,000** | - |
| | 10 Half yearly | 2020-2025 | **12,800** | - |
| | 10 Half yearly | 2020-2025 | **10,000** | - |
| Bank AL Falah Limited | 10 Half yearly | 2020-2025 | **44,000** | |
| | | | **2,266,934** | 912,842 |

**15.2** These represents long term finance facilities (LTFF) obtained from various commercial banks for import of machinery. These carry mark-up at the rates ranging from SBP LTFF rate plus 0.5% (2018: 0.5%) per annum. These facilities is secured against specific charge of plant and machinery of the Company. The principal portion of the loan is repayable in five years through semi-annually and quarterly installments after grace period of one year. The unutilized portion of long term finance is Rs. 1,571 million (2018: 1,061 million).

## 16 TRADE AND OTHER PAYABLES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Creditors | 16.1 | 1,545,488 | 1,445,663 |
| Accrued liabilities | 16.2 | 2,966,013 | 1,977,099 |
| Workers' profits participation fund | | 300,626 | 136,693 |
| Workers' welfare fund | | 22,706 | 76,605 |
| Advance from customers | | 10,625 | 14,507 |
| Payable to provident fund | | 19,297 | 15,577 |
| Others | | 45,933 | 35,775 |
| | | 4,910,688 | 3,701,919 |

16.1 This include an amount of Rs.1,263.55 million (2018: Rs.1,005.60 million) in respect of GID cess provision, Rs.688.60 million (2018: Rs.477.57 million) in respect of Gas tariff provision and Rs. 172.07 million in respect of RLNG provision.

| 16.2 Workers' profits participation fund | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Opening balance | | 136,693 | 129,775 |
| Interest on WPPF | | 21 | 85 |
| Charge for the year | | 300,626 | 136,641 |
| | | 437,340 | 266,501 |
| Less: Payment during the year | | (136,714) | (129,808) |
| Closing balance | | 300,626 | 136,693 |

## 17 SHORT-TERM BORROWINGS - secured

| | Note | 2019 | 2018 |
|---|---|---|---|
| Export re-finance | 17.1 | 6,490,000 | 2,550,000 |

17.1 Represents utilized portion of export re-finance facilities from various commercial banks of Rs.7,310 million (2018: Rs.6,310 million) repayable / renewable from July 08, 2019 to October 19, 2019 and the company also have unutilized running finance facility of Rs.180 million (2018: Rs. 180 million). These carry mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 0.5% (2018: 0.25% to 0.50%) per annum and 3 month KIBOR plus 0.25% to 1.50% per annum, respectively.These are secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.

## 18 ACCRUED MARK-UP

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long term loans | 14,116 | 5,521 |
| Short term borrowings | 36,782 | 13,121 |
| | 50,898 | 18,642 |

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

No contingencies exist as at reporting date.

**19.2 Commitments**

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| - Outstanding letters of credit | 1,193,693 | 334,948 |
| - Outstanding letters of guarantee | 975,308 | 652,453 |
| - Capital expenditure | 1,235,205 | 615,950 |

**19.2.1** Post dated cheques of Rs.2,367 million (2018: Rs. 1,478 million) are issued to Custom Authorities in respect of duties on imported items.

**20 SALES - net**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Local | | 395,160 | 326,525 |
| Export | 20.1 | 28,552,557 | 21,213,874 |
| | | 28,947,717 | 21,540,399 |
| Export rebate | | 426,901 | 321,075 |
| | | 29,374,618 | 21,861,474 |
| Less: | | | |
| Sales tax | | 25,632 | 12,296 |
| Trade discounts | | 105,439 | 73,731 |
| | | 131,071 | 86,027 |
| | | 29,243,547 | 21,775,447 |

**20.1 Represents sales made to the following geographical regions:**

| | 2019 | 2018 |
|---|---|---|
| America | 24,794,847 | 19,091,840 |
| Europe | 3,173,674 | 1,702,214 |
| Asia | 339,840 | 292,734 |
| Africa | 48,536 | 80,419 |
| Australia | 195,660 | 46,667 |
| | 28,552,557 | 21,213,874 |

**21 COST OF SALES**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Opening stock of finished goods | | 846,471 | 519,463 |
| Add: Cost of goods manufactured | 21.1 | 21,857,743 | 17,277,437 |
| | | 22,704,214 | 17,796,900 |
| Less: Closing stock of finished goods | 8 | (1,098,393) | (846,471) |
| | | 21,605,821 | 16,950,429 |

| | | | 2019 | 2018 |
|---|---|---|---|---|
| **21.1** | **Cost of goods manufactured** | **Note** | (Rupees in '000) | |
| | Raw material consumed | 21.1.1 | 13,293,218 | 9,385,318 |
| | Stores and spares consumed | | 2,906,153 | 2,545,052 |
| | Salaries, wages and other benefits | 21.1.2 | 3,291,804 | 2,814,998 |
| | Fuel, power and water | | 1,974,325 | 1,476,080 |
| | Insurance expense | | 33,756 | 28,252 |
| | Repair and maintenance | | 124,581 | 40,354 |
| | Vehicle running expenses | | 14,028 | 13,137 |
| | Communication and transportation | | 67,564 | 50,955 |
| | Rent | | 112,691 | 109,172 |
| | Depreciation | 4.5 | 844,463 | 672,284 |
| | Amortization | | 514 | 262 |
| | Entertainment | | 2,295 | 2,590 |
| | Other manufacturing expenses | | 52,225 | 34,486 |
| | | | 22,717,617 | 17,172,940 |
| | Opening work-in-process | | 1,470,271 | 1,574,768 |
| | Closing work-in-process | 8 | (2,330,145) | (1,470,271) |
| | | | 21,857,743 | 17,277,437 |

| | | | | |
|---|---|---|---|---|
| **21.1.1** | **Raw material consumed** | | | |
| | Opening stock | | 1,575,528 | 1,543,480 |
| | Purchases during the year | | 14,700,239 | 9,417,366 |
| | | | 16,275,767 | 10,960,846 |
| | Less: closing stock | 8 | (2,982,549) | (1,575,528) |
| | | | 13,293,218 | 9,385,318 |

**21.1.2** This includes an amount of Rs.67.14 million (2018: Rs.54.74 million) in respect of staff provident fund and Rs.143.49 million in respect of staff gratuity expense (2018: Rs.Nil).

| 22 | ADMINISTRATIVE COST | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Director fee | | 6,640 | 5,950 |
| | Salaries and benefits | 22.1 | 674,565 | 641,054 |
| | Impairment loss on investment | | - | 608 |
| | Utilities | | 16,292 | 17,796 |
| | Repairs and maintenance | | 28,932 | 26,504 |
| | Vehicle running expenses | | 31,067 | 27,564 |
| | Communication | | 7,100 | 4,198 |
| | Rent, rates, taxes and license fee | | 52,778 | 31,575 |
| | Conveyance and traveling | | 19,356 | 7,695 |
| | Printing and stationery | | 836 | 709 |
| | Legal and professional | | 10,025 | 18,249 |
| | Fees and subscriptions | | 6,477 | 5,710 |
| | Depreciation | 4.5 | 88,632 | 72,828 |
| | Entertainment | | 5,784 | 4,367 |
| | Sanitation expense | | 40,585 | 34,311 |
| | Watch and ward | | 19,232 | 13,461 |
| | Training and development expnese | | 7,463 | 7,756 |
| | Miscellaneous expenses | | 14,751 | 9,412 |
| | | | 1,030,515 | 929,747 |

22.1 This includes amount of Rs.33.62 million (2018: Rs.28.22 million) in respect of staff provident fund.

| 23 | DISTRIBUTION COST | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Salaries and benefits | 23.1 | 130,168 | 118,009 |
| | Freight and insurance | | 314,912 | 237,497 |
| | Inspection and forwarding charges | | 168,586 | 146,503 |
| | Marketing and other related expenses | | 1,235,308 | 951,055 |
| | Export development surcharge | | 69,706 | 55,437 |
| | Others | | 3,319 | 3,256 |
| | | | 1,921,999 | 1,511,757 |

23.1 This includes amount of Rs.6.76 million (2018: Rs.5.91 million) in respect of staff provident fund.

| 24 | OTHER EXPENSES | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Loss on disposal of operating fixed asset - net | | 15,026 | 46,530 |
| | Workers' profit participation fund | | 300,626 | 136,641 |
| | Workers' welfare fund | | 22,706 | 16,686 |
| | Stock written off - net | | 519 | - |
| | Donations | 24.1 | 12,281 | 10,100 |
| | Auditors' remuneration | 24.3 | 5,578 | 2,350 |
| | | | 356,736 | 212,307 |

**24.1** Donations include donation to following organisations exceeding Rs 1,000,000 or 10% of total donation whichever is higher.

| Name of Donee | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| The Indus Hospital | 7,453 | 7,075 |
| Bahar Education Foundation | 2,000 | - |
| Citizen Police Liaison Committee | 914 | 800 |

**24.2** Donations include the following in which a director or their spouse were interested:

| Name of Directors | Name / Address of Donee | Interest in Donee |
|---|---|---|
| Mr. Khaleequr Rahman / Mr. Nasim Hyder | Indus Hospital, Plot C-76, Sector 31/5, Korangi Crossing, Karachi | Director |
| Mr. Khaleequr Rahman | Citizens Police Liaison Committee Central Reporting Cell - Sindh Governor's Secretariat Karachi | Director |

| 24.3 Auditors' remuneration | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| Audit fee | | 1,300 | 1,300 |
| Half yearly review | | 500 | 500 |
| Out of pocket expenses | | 303 | 257 |
| Other certification / assignments | | 3,475 | 293 |
| | | 5,578 | 2,350 |

## 25 OTHER INCOME - financial assets

| | Note | 2019 | 2018 |
|---|---|---|---|
| Profit on short term investment | 25.1 | 55,627 | - |
| Profit on long term investments | | 153 | - |
| Exchange differences on realization of export receivables | | 1,992,730 | 718,671 |
| | | 2,048,510 | 718,671 |

**25.1** This represents profit on short term investments ranging from 8% to 13% per annum (2018: Nil).

## 26 FINANCE COST

| | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| Mark-up / interest on | | |
| - Long term financing | 39,576 | 20,741 |
| - Short term borrowings | 41,012 | 22,668 |
| - Workers' profits participation fund | 21 | 85 |
| | 80,609 | 43,494 |
| Bank charges | 75,283 | 42,235 |
| | 155,892 | 85,729 |

| | | 2019 | 2018 |
|---|---|---|---|
| **27** | **TAXATION** | (Rupees in '000) | |
| | Current | 234,061 | 64,898 |
| | Prior | (2,777) | (12,846) |
| | | 231,284 | 52,052 |

**27.1** The Company has filed its return of income up to tax year 2018. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed. The Company is subject to Final Tax Regime under Section 169 of the Income Tax Ordinance, 2001, therefore, relationship between income tax expense and accounting profit has not been presented.

| | | 2019 | 2018 |
|---|---|---|---|
| **28** | **EARNINGS PER SHARE – basic and diluted** | (Rupees in '000) | |
| | Net profit after the year | 5,989,810 | 2,752,097 |
| | Weighted average number of ordinary shares in issue | 376,800,968 | 376,800,968 |
| | | (Rupees) | |
| | Earnings per share - basic | 15.90 | 7.30 |

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

## 29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Particular** | **Chief Executive** | **Executives** | **Total** | **Chief Executive** | **Executives** | **Total** |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | 25,994 | 497,765 | 523,759 | 18,886 | 416,699 | 435,585 |
| Bonus | 1,800 | 31,832 | 33,632 | 1,200 | 25,952 | 27,152 |
| Retirement benefits | 1,729 | 30,192 | 31,921 | 1,259 | 24,381 | 25,640 |
| Leave encashment | - | 8,274 | 8,274 | - | 6,428 | 6,428 |
| Other benefits | - | 10,997 | 10,997 | - | 1,553 | 1,553 |
| | 29,523 | 579,060 | 608,583 | 21,345 | 475,013 | 496,358 |
| Numbers | 1 | 119 | 120 | 1 | 102 | 103 |

**29.1** The Chief Executive and certain executives are provided with Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.

**29.2** Meeting fee of Rs. 6.46 million (2018: Rs.5.95 million) has been paid to eight (2018: seven) directors.

| | 2019 Unaudited | 2018 Audited |
|---|---|---|
| | (Rupees in '000) | |

## 30 PROVIDENT FUND DISCLOSURES

| | 2019 | 2018 |
|---|---|---|
| Size of the trust | 702,543 | 649,502 |
| Cost of investment | 671,925 | 626,361 |
| Fair value of investment | 651,296 | 609,707 |

| | 2019 | 2018 |
|---|---|---|
| | Percentage | |
| Percentage of investment made | 96% | 96% |

**Major categories of investment of provident fund are as follows:**

| | 2019 Unaudited | | 2018 Audited | |
|---|---|---|---|---|
| | Investment | % of investment as size of the fund | Investment | % of investment as size of the fund |
| | (Rupees in '000) | | (Rupees in '000) | |
| Shares in listed Companies | 30,161 | 4.63 | 17,004 | 2.80 |
| Mutual fund | 61,832 | 9.49 | 153,326 | 25.20 |
| Investment in fixed deposit | 549,256 | 84.33 | 439,377 | 72.00 |
| Sukuk and ijarah certificates | 10,047 | 1.54 | - | |
| | 651,296 | 100.00 | 609,707 | 100 |

30.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

## 31 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, major shareholders of the Company, key management personnel and staff provident fund. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

| 31.1 Nature of transaction | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Transaction with subsidiary** | | |
| Manufacturing and other services / expenses | - | 2,600 |
| **Transaction with associates** | | |
| Sale of goods | 1,836,984 | 1,162,895 |
| Purchases | 3,175 | 6,344 |
| Marketing Fee | 1,141,875 | 923,501 |
| Rent expense | 114,157 | 109,866 |
| Donation | 8,366 | 7,842 |
| **Transaction with directors** | | |
| Meeting fee | 6,460 | 5,950 |
| **Transaction with key management personnel** | | |
| Remuneration paid | 45,594 | 44,390 |
| Post-employment benefits | 2,748 | 2,761 |
| **Transaction with other related party** | | |
| Contribution to staff provident fund | 107,522 | 88,870 |
| Net payable to staff provident fund | 19,297 | 15,577 |

31.1.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place

| Particular | Relationship | Aggregate % of shareholding |
|---|---|---|
| Xublimity (Private) Limited | Subsidiary | 76% |
| 1888 Mills LLC, USA | Common Directorship | 5.0877% |
| The Indus Hospital | Common Directorship | - |
| Citizen Police Liaison Committee (CPLC) | Common Directorship | - |
| Friendship (Private) Limited | Common Directorship | - |
| UTI Industries (Private) Limited | Common Directorship | - |
| Feroze1888 Mills Limited - Provident Fund | Retirement benefit fund | - |
| Mr. Rehan Rehman | Chief Executive / Director | 2.2443% |
| Mr. Jonathan R. Simon | Director | - |
| Mr. Khaleequr Rehman | Director | 3.1363% |
| Mr. Shabbir Ahmed | Director | 19.8894% |
| Mr. Perwez Ahmed | Director | 5.4624% |
| Mr. Anas Rehman | Ex Director | 1.8570% |
| Mr. Abdul Rehman Yaqub | Ex Director | - |
| Mr. Nasim Hayder | Director | 0.0001% |
| Ms. Huma Pasha | Director | 0.0001% |
| Mr. Asim Shabbir Patka | Director | 2.1441% |
| Mr. Usama Rehman | Director | 2.0460% |
| Mr. Muhammad Faheem | Key Management Personnel | - |
| Mr. Muhammad Usama Siddiqui | Key Management Personnel | - |

**31.2 Associated Companies Incorporated Outside Pakistan**

| Name | Basis of Association | Country of Incorporation |
|---|---|---|
| 1888 Mills LLC, USA | Common Directorship | United States of America |

## 32 PRODUCTION CAPACITY IN METERS

| Towel | Capacity | Actual | Looms |
|---|---|---|---|
| **2019** | **126,510,915** | **119,938,031** | **348** |
| 2018 | 113,141,407 | 102,454,891 | 319 |

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

## 33 FINANCIAL INSTRUMENTS BY CATEGORY

**33.1 Financial assets as per statement of financial position**

| | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| **Financial assets at amortised cost** | | |
| - Long term investments | **186,153** | - |
| - Long term deposits | **16,380** | 8,333 |
| - Trade debts | **7,629,994** | 5,191,492 |
| - Deposits and other receivable | **1,296,936** | 1,821,997 |
| - Cash and bank balances | **3,267,698** | 203,364 |
| | **12,397,161** | 7,225,186 |

**33.2 Financial liabilities as per statement of financial position**

| | 2019 | 2018 |
|---|---|---|
| **Financial liabilities measured at amortised cost** | | |
| - Long term financing | **1,991,546** | 750,334 |
| - Trade and other payables | **4,880,766** | 3,671,835 |
| - Short term borrowings | **6,490,000** | 2,550,000 |
| - Accrued mark-up | **50,898** | 18,642 |
| - Current portion of long term financing | **275,388** | 162,508 |
| - Unclaimed dividend | **1,873** | 1,150 |
| | **13,690,471** | 7,154,469 |

## 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

## 34.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

### 34.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term financing and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency. The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long term financing | 2,266,934 | 912,842 |
| Short-term borrowing | 6,490,000 | 2,550,000 |
| | 8,756,934 | 3,462,842 |

### 34.1.2 Currency risk

Currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

**Exposure to currency risk**

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | US Dollar | Euro | US Dollar | Euro |
| Trade debts | 46,153,416 | 272,108 | 42,314,000 | 244,849 |
| Foreign currency bank balances | 532,480 | - | 969,861 | - |
| Trade and other payables | (435,130) | - | (1,227,000) | - |

The following significant exchange rates have been applied at the reporting dates:

| | (Rupees) | | (Rupees) | |
|---|---|---|---|---|
| Closing exchange rates | 164.50 | 179.3 | 121.40 | 159.14 |

**Sensitivity Analysis**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the company's profit before taxation:

| | Change in US Dollar rate (%) | Effect on profit before tax -- Rupees -- | Change in Euro rate (%) | Effect on profit before tax -- Rupees -- |
|---|---|---|---|---|
| 30 June 2019 | +10 | 760,825,101 | +10 | 4,878,896 |
| | -10 | (760,825,101) | -10 | (4,878,896) |
| 30 June 2018 | +10 | 510,570,293 | +10 | 3,896,527 |
| | -10 | (510,570,293) | -10 | (3,896,527) |

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

### 34.1.3 Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. The Company does not have investment in equity shares.

### 34.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long term investments | 186,153 | - |
| Long term deposits | 16,380 | 8,333 |
| Trade debts | 7,629,994 | 5,191,492 |
| Deposits and other receivable | 1,296,936 | 370,414 |
| Bank balances | 3,265,719 | 200,538 |
| | 12,395,182 | 5,770,777 |

**Quality of financial assets**

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Bank balances** | | |
| A1+ | - | 176,393 |
| A-1+ | 3,265,719 | 24,145 |
| | 3,265,719 | 200,538 |

**Trade debt**

The aging of trade debts at the statement of financial position date was:

| | | |
|---|---|---|
| Not past due | 7,457,236 | 4,652,848 |
| Past due 1-60 days | 156,920 | 538,644 |
| Past due 61 days - 90 days | 11,286 | - |
| More than 90 days | 4,552 | - |
| | 7,629,994 | 5,191,492 |

34.3 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| 2019 | Upto 1 year | 1 – 5 years | More than five years | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Long term financing | 275,388 | 1,991,546 | - | 2,266,934 |
| Trade and other payables | 4,587,356 | - | - | 4,587,356 |
| Accrued mark-up | 50,898 | - | - | 50,898 |
| Short term borrowings | 6,490,000 | - | - | 6,490,000 |
| | 11,403,642 | 1,991,546 | - | 13,395,188 |

| 2018 | Upto 1 year | 1 – 5 years | More than five years | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Long term financing | 162,508 | 685,694 | 64,640 | 912,842 |
| Trade and other payables | 3,448,621 | - | - | 3,448,621 |
| Accrued mark-up | 18,641 | - | - | 18,641 |
| Short term borrowings | 2,550,000 | - | - | 2,550,000 |
| | 6,179,770 | 685,694 | 64,640 | 6,930,104 |

### 34.3.1 Changes in liabilities from financing activities

| | 01 July 2018 | Cash Flows | 30 June 2019 |
|---|---|---|---|
| | (Rupees in '000) | | |
| Long term financing | 912,842 | 1,354,092 | 2,266,934 |
| Short term borrowings | 2,550,000 | 3,940,000 | 6,490,000 |

### 34.4 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the unconsolidatedfinancial statements appropriate their fair values.

### 34.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long-term financing | 1,991,546 | 750,334 |
| Deferred liability | 143,494 | - |
| Accrued Mark-up | 50,898 | 18,642 |
| Short-term borrowings | 6,490,000 | 2,550,000 |
| Trade and other payable | 4,910,688 | 3,701,919 |
| Current portion of long term financing | 275,388 | 162,508 |
| Total debt | 13,862,014 | 7,183,403 |
| Cash and bank balances | (3,267,698) | (203,364) |
| **Net debt** | 10,594,316 | 6,980,039 |
| Share capital | 3,768,009 | 3,768,009 |
| Reserves | 16,335,440 | 12,399,195 |
| **Total capital** | 20,103,449 | 16,167,204 |
| **Capital and net debt** | 30,697,765 | 23,147,243 |
| **Gearing ratio** | 34.51% | 30.15% |

### 34.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements approximate fair values.

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| | (Rupees in '000) | | | | |
| Property, plant and equipment | - | 1,993,486 | - | 1,993,486 | 1,993,486 |

## 35 OPERATING SEGMENTS

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

- Revenue from export sales represents 98.64% (2018: 98.45%) of the total gross revenue of the Company.
- All non-current assets of the Company at June 30, 2019 are located in Pakistan.
- Sales made by the Group to two customers which constitutes 40% and 19%, respectively.

## 36 DIVIDEND AND APPROPRIATIONS

36.1 Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on September 06, 2019 has proposed final cash dividend @ Rs. 3.35/- per share amounting to Rs.1,262.28 million (2018: Rs. 2.45/- per share amounting to Rs. 923.162 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 3/- per share amounting to Rs. 1,130 million (2018: Rs. 1.20/- per share amounting to Rs. 452.161 million) approved by the Board of Directors for the year ended June 30, 2019.

36.2 The Finance Act, 2019 introduced a tax on every public company at the rate of 5% on profit before tax if the company fails to distribute at least 20% of its profit after tax as cash within six month after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed / approved cash dividend amounting to Rs.1,262.28 million for the financial and tax year 2018 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2019.

## 37 NUMBER OF EMPLOYEES

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

| | -------Total------- | |
|---|---|---|
| | 2019 | 2018 |
| Total number of employees as at June 30 | **3,661** | 3,693 |
| Average number of employees during the year | **3,585** | 3,575 |

## 38 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on September 06, 2019 by the Board of Directors of the Company.

## 39 GENERAL

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

39.2 Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

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# INDEPENDENT AUDITORS' REPORT

## To the members of Feroze1888 Mills Limited

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

#### Opinion

We have audited the annexed consolidated financial statements of **Feroze1888 Mills Limited and its subsidiary** (the Group), which comprise the consolidated statement of financial position as at **30 June 2019**, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, consolidated statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the key audit matters:

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| **1. Capital expenditure for capacity enhancement** | |
| As disclosed in note 5 to the accompanying consolidated financial statements, the Group has incurred significant amount of capital expenditure during the year for enhancement of production capacity. To finance the above capital expenditures, the Group has obtained long and short term financings as disclosed in note 17 and 19 to the accompanying consolidated financial statements.<br><br>Capital expenditures incurred during the year represents a significant transaction and involves significant judgments in respect of capitalisation of elements of eligible components of costs, including borrowing costs, as per the applicable reporting standards to determining, when the assets are available for use and estimation of useful life and residual value. Further, financing agreements entail financial and non-financial covenants that the Group is subject to compliance.<br><br>Accordingly, we have identified the capital expenditure and related financing as a key audit matter. | Our procedures, amongst others, included obtaining an understanding of the Group's process with respect to capital expenditure including determination of useful lives and tested the Group's controls in this area relevant to our audit.<br><br>We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost.<br><br>We considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.<br><br>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Group's technical departments.<br><br>We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful live.<br><br>We obtained and reviewed the financing agreements executed and inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance and circularized confirmations to the financing banks with respect to outstanding loan balances at year end.<br><br>We assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements. |

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| 2. First time adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contract with Customers' | |
| As referred to in note 3.2 to the accompanying consolidated financial statements, the Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contract with Customers' with effect from 1 July 2018.<br><br>IFRS 9 requires the Group to make provision using expected credit losses (ECL) approach as against the incurred loss model previously applied by the management. The management has determined that the most significant impact on the new standard on the Group's consolidated financial statements relates to the calculation of ECL against trade debts.<br><br>Assessment of provision for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking information.<br><br>IFRS 15 provides comprehensive model of revenue recognition along with detailed presentation and disclosure requirements. The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the model to contracts with customers.<br><br>Given the significance of the judgments related particularly to the estimation of ECL and to the timing and measurement of revenue recognition as well as incremental qualitative and quantitative disclosure, we considered these as a key audit matter. | In order to assess the appropriateness of the management's judgement and estimate, our key audit procedures included, among others, review of the methodology developed and applied by the Group to estimate the ECL in relation to trade debts .We also considered additional processes and controls established by the management with respect to revenue recognition.<br><br>We considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimate. Further, we assessed the integrity and quality of the data used for ECL computation by matching the same with the accounting records and information system of the Group. We also checked the mathematical accuracy of the ECL computation on a sample basis.<br><br>We reviewed the assessment prepared by the management relating to the application of five-step model for revenue recognition. We assess the reasonableness of judgments exercised by the management. We also considered and reviewed, on a sample basis, terms of revenue contracts and evaluated the timing and amount of revenue recognised.<br><br>In addition to the above, we assessed the adequacy of disclosures in the accompanying consolidated financial statements of the Group regarding application of IFRS 9 and 15 as per the requirements of the above standards. |
| 3. Existence and Valuation of stock in trade | |
| As disclosed in note 10 to the accompanying consolidated financial statements, the stock in Trade balance constitutes 19% of total assets of the Group. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.<br><br>We focused on Stock in Trade as it is a significant portion of Group's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation. | We performed a range of audit procedures with respect of inventory items including, amongst other physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads.<br><br>We performed testing on a sample of items to assess the net realisable value (NRV) of the inventories held and evaluated the adequacy of finished goods written down to NRV.<br><br>We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Group at the year end. |

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**Information Other than the Consolidated Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Mr. Shaikh Ahmed Salman.

**Chartered Accountants**

**Place:** Karachi

**Date:** 17 September 2019

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT JUNE 30, 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ......... (Rupees in '000) ......... | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 13,458,882 | 10,846,978 |
| Intangible assets | 6 | 1,852 | 1,870 |
| Long term investments | 7 | 186,153 | - |
| Long term deposits | | 16,380 | 8,333 |
| | | 13,663,267 | 10,857,181 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 8 | 908,514 | 632,710 |
| Stock-in-trade | 9 | 6,411,087 | 3,892,270 |
| Trade debts | 10 | 7,629,994 | 5,191,492 |
| Advances, deposits, prepayments and other receivables | 11 | 1,604,581 | 2,143,315 |
| Taxation – net | | 482,194 | 431,616 |
| Cash and bank balances | 12 | 3,267,698 | 203,534 |
| | | 20,304,068 | 12,494,937 |
| Total assets | | 33,967,335 | 23,352,118 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised share capital 400,000,000 (2018: 400,000,000) ordinary shares of Rs.10 each | | 4,000,000 | 4,000,000 |
| Issued, subscribed and paid-up capital | 13 | 3,768,009 | 3,768,009 |
| Reserves | 14 | 16,335,439 | 12,399,254 |
| | | 20,103,448 | 16,167,263 |
| Non-Controlling interest | | - | 18 |
| | | 20,103,448 | 16,167,281 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred liability | 15 | 143,494 | - |
| Long term financing | 16 | 1,991,546 | 750,334 |
| | | 2,135,040 | 750,334 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 4,910,688 | 3,701,979 |
| Short term borrowings | 18 | 6,490,000 | 2,550,000 |
| Accrued mark-up | 19 | 50,898 | 18,642 |
| Current portion of long term financing | 16 | 275,388 | 162,508 |
| Unclaimed dividend | | 1,873 | 1,150 |
| Unpaid dividend | | - | 224 |
| | | 11,728,847 | 6,434,503 |
| **CONTINGENCIES AND COMMITMENTS** | 20 | | |
| Total equity and liabilities | | 33,967,335 | 23,352,118 |

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

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ---------- (Rupees in '000) ---------- | |
| Sales | 21 | **29,243,547** | 21,775,447 |
| Cost of sales | 22 | **(21,605,821)** | (16,949,752) |
| **Gross profit** | | **7,637,726** | 4,825,695 |
| Administrative cost | 23 | **(1,030,583)** | (930,330) |
| Distribution cost | 24 | **(1,921,999)** | (1,511,757) |
| Other expenses | 25 | **(356,746)** | (212,337) |
| | | **(3,309,328)** | (2,654,424) |
| | | **4,328,398** | 2,171,271 |
| Other income | 26 | **2,048,510** | 718,671 |
| **Operating Profit** | | **6,376,908** | 2,889,942 |
| Finance cost | 27 | **(155,892)** | (85,730) |
| **Profit before taxation** | | **6,221,016** | 2,804,212 |
| Taxation | 28 | **(231,284)** | (52,085) |
| **Net profit for the year** | | **5,989,732** | 2,752,127 |
| **Earnings per share - Basic and diluted (Rupees)** | 29 | **15.90** | 7.30 |
| Share of Profit / loss attributible relating to: | | | |
| Owners of the Holding Company | | **5,989,750** | 2,752,266 |
| Non-controlling interest | | **(18)** | (139) |
| | | **5,989,732** | 2,752,127 |

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

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| | ---------(Rupees in '000)--------- | |
| Net profit for the year | 5,989,732 | 2,752,127 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | **5,989,732** | 2,752,127 |

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

| | | |
|---|---|---|
| **HUMA PASHA** | **REHAN RAHMAN** | **MUHAMMAD FAHEEM** |
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 6,221,016 | 2,804,212 |
| **Adjustments for:** | | |
| Depreciation | 933,095 | 745,112 |
| Amortization | 514 | 262 |
| Loss on disposal of property, plant and equipment | 15,026 | 46,530 |
| Non-management staff gratuity | 143,494 | - |
| Profit on short term investment | (55,627) | - |
| Finance cost | 155,892 | 85,730 |
| | 1,192,394 | 877,634 |
| | 7,413,410 | 3,681,846 |
| **(Increase) / decrease in current assets** | | |
| Stores and spares | (275,804) | (134,677) |
| Stock-in-trade | (2,518,817) | (254,560) |
| Trade debts | (2,438,502) | (837,300) |
| Advances, deposits, prepayments and other receivables | 354,769 | (526,449) |
| | (4,878,354) | (1,752,986) |
| | 2,535,056 | 1,928,860 |
| **Increase in current liabilities** | | |
| Trade and other payables | 1,208,709 | 524,691 |
| **Cash generated from operations** | 3,743,765 | 2,453,551 |
| Finance costs paid | (123,636) | (72,230) |
| Income taxes paid | (281,862) | (217,924) |
| Long-term deposits | (8,047) | (1,230) |
| **Net cash generated from operating activities** | 3,330,220 | 2,162,167 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (3,633,853) | (3,441,082) |
| Proceeds from disposal of operating fixed assets | 73,332 | 65,455 |
| Profit received on short term investment | 53,439 | - |
| **Net cash used in investing activities** | (3,507,082) | (3,375,627) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid* | (2,053,066) | (1,092,427) |
| Short term borrowings – net* | 3,940,000 | 2,050,000 |
| Long term financing – net* | 1,354,092 | 365,691 |
| **Net cash generated from financing activities** | 3,241,026 | 1,323,264 |
| **Net increase in cash and cash equivalents** | 3,064,164 | 109,804 |
| **Cash and cash equivalents at the beginning of the year** | 203,534 | 93,730 |
| **Cash and cash equivalents at the end of the year** | 3,267,698 | 203,534 |

* No non-cash item is included in these activities.

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

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2019

| | | Capital reserve | | | Revenue reserve | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Amalgamation reserve | Share premium | Revaluation surplus on property, plant and equipment | Accumulated profit | Reserves | Non-Controlling Interest | Total |
| | (Rupees in '000) | | | | | | | |
| **Balance as at June 30, 2017** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **8,482,038** | **10,739,710** | **157** | **14,507,876** |
| Net profit for the year | - | - | - | - | 2,752,266 | 2,752,266 | (139) | 2,752,127 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 2,752,266 | 2,752,266 | (139) | 2,752,127 |
| Final cash dividend for the year ended June 30, 2017 @ Rs.1.70 per share | - | - | - | - | (640,581) | (640,581) | - | (640,581) |
| Interim cash dividend for the year ended June 30, 2018 @ Rs.1.20 per share | - | - | - | - | (452,161) | (452,161) | - | (452,161) |
| **Balance as at June 30, 2018** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **10,141,583** | **12,399,254** | **18** | **16,167,281** |
| Net profit for the year | - | - | - | - | 5,989,750 | 5,989,750 | (18) | 5,989,732 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 5,989,750 | 5,989,750 | (18) | 5,989,732 |
| Final cash dividend for the year ended June 30, 2018 @ Rs.2.45 per share | - | - | - | - | (923,162) | (923,162) | - | (923,162) |
| Interim cash dividend for the year ended June 30, 2019 @ Rs.3 per share | - | - | - | - | (1,130,403) | (1,130,403) | - | (1,130,403) |
| **Balance as at June 30, 2019** | **3,768,009** | **543,413** | **215,250** | **1,499,008** | **14,077,768** | **16,335,439** | **-** | **20,103,448** |

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

| HUMA PASHA | REHAN RAHMAN | MUHAMMAD FAHEEM |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 1. THE GROUP AND ITS OPERATIONS

1.1 Feroze1888 Mills Limited (the Holding Company) was incorporated in Pakistan on October, 1972 as a public limited company. The shares of the Holding Company are quoted on Pakistan Stock Exchange Limited. The Holding Company is principally engaged in production and export of towels.

The Group consists of:

**Holding Company**
Feroze1888 Mills Limited

| | 2019 | 2018 |
|---|---|---|
| **Subsidiary Company** | **Percentage of holding** | |
| Xublimity (Private) Limited | 75.98% | 75.98% |

Xublimity (Private) Limited was incorporated on April 20, 2017 as private limited company under the repealed ordinance, 1984. Its principal business activity is the development and sale of various IT-based solutions, hardware solutions etc.

### 1.2 Geographical location and address of business units

| | |
|---|---|
| Registered Office | H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi |
| Office building | 160, Bangalore Town Shahrah-e-Faisal Rd Darwaish Colony, Karachi, |
| Mill & Production Plant - Sindh | Plot # H-23/4-A and H-23-/4-B, Scheme # 3. Landhi Industrial Area, Landhi, Krachi<br>B-4/A, SITE, Karachi<br>Plot # A-5, SITE, Karachi.<br>Plot # C-3, SITE, Karachi.<br>Plot # C-31 SITE, Karachi<br>Plot # F-89, SITE, Karachi<br>Plot # F-125, SITE, Karachi<br>Plot # F-342, SITE, Karachi<br>Plot # D-202, SITE, Karachi<br>Plot # 342/A, Haroonabad, SITE, Karachi<br>Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi |
| Balochistan | Plot# D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochist |

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Act.

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

These consolidated financial statements have been prepared on the basis of historical cost convention except for freehold and leasehold land which is carried at revalued amount and staff gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets in accordance with the requirements of IAS 19 "Employee Benefits".

**2.2 New standards and amendments**

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except that the Group has adopted the following amendments of IFRS which became effective for the current year:

IFRS 2 Share based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)

IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

**Improvements to accounting standard issued by IASB in December 2016**

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Group's consolidated financial statements except for IFRS 15 and IFRS 9. The impact of adoption of IFRS 15 and IFRS 9 are described below:

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the consolidated financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Group generates its revenue from sale of goods. The Group's contracts with customers for the sale of goods generally include one performance obligation and do not provide customers with a right of return and volume rebate. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, and variable consideration did not have any impact on the revenue recognised by the Group. Therefore, the adoption of IFRS 15 did not have any material impact on the timing of revenue recognition and the amount of revenue recognized.

Further, due to application of the above standards, the Group has revised its policies and incorporate additional disclosures in accordance with the requirements of the above standards in these consolidated financial statements.

**IFRS 9 Financial Instruments**

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has applied IFRS 9 retrospectively, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Group's financial assets mainly includes deposits, trade debts, other receivables, cash and bank balances held with commercial banks.

**Classification and measurement**

IFRS-9 retain but simplifies the measurement model and establishes the measurement categories of asset: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Group's Trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The classification and measurement of IFRS-9, as descried above did not have a significant impact on the Group's consolidated financial statements.

**Impairment**

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade debts and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The adoption of the ECL requirements of IFRS 9 did not result in any difference in the existing impairment allowances of the Group's debt financial assets.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

**2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on after) |
|---|---|
| IFRS 3 Definition of a Business (Amendments) | 01 January 2020 |
| IFRS 3 Business Combinations: Previously held interests in a joint operation | 01 January 2019 |
| IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments) | 01 July 2019 |
| IFRS 9 Prepayment Features with Negative Compensation (Amendments) | 01 January 2019 |
| IFRS 10 / IAS 28 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 11 Joint Arrangements: Previously held interests in a joint operation | 01 January 2019 |
| IFRS 16 Leases | 01 January 2019 |
| IAS 1/ IAS 8 Definition of Material (Amendments) | 01 January 2020 |
| IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity | 01 January 2019 |
| IAS 19 Plan Amendment, Curtailment or Settlement (Amendments) | 01 January 2019 |
| IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation | 01 January 2019 |
| IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments) | 01 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 01 January 2019 |

The above standards and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application except for IFRS 16 – Leases. The Group is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 1 – First Time adoption of IFRSs | 01 January 2014 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 17 – Insurance Contracts | 01 January 2021 |

The Group expects that above new standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgment, estimates and assumptions that affect the application of policies and the reported amounts of revenues, expenses, assets and liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

**2.4.1 Property, plant and equipment**

The estimates for revalued amounts of freehold and leasehold land are based on valuation performed by external professional valuer and recommendation of in house technical department of the Group. The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on an annual basis. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available to the Group. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

**2.4.2 Stock-in-trade and stores and spares**

The Group reviews the carrying amount of inventories on an ongoing basis and as appropriate, inventory is written down to its net realisable value (NRV) or provision is made for obsolescence. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

**2.4.3 Staff gratuity**

Certain actuarial assumptions have been adopted as disclosed in note 15 to the consolidated financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

**2.4.4 Impairment of financial assets**

The Group uses a provision matrix to calculate ECLs for trade debts and other receivables. The provision rates are based on days past due for Group's various customer that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets exposed to credit risk is disclosed in note 35.2.

### 2.4.5 Taxation

In applying the estimate for income tax payable, the Group takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

### 2.4.6 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

## 3 BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary, here-in-after collectively referred to as the Group

A company is a subsidiary, if the Holding Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiaries have been changed to confirm with the accounting policies of the Group, where required.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than hundred percent and therefore, a non controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in these consolidated financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

**Operating assets**

These are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is stated at revalued amount less impairment, if any. Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates mentioned in note 5.1 to the consolidated financial statements except for lease hold improvement which are depreciated on straight line basis at the rates mentioned in note 5.1 to these consolidated financial statements. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month on which an asset is disposed off.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of operating assets, if any, are recognized in the statement of profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Increases in the carrying amounts arising on revaluation of land are recognized, in statement of other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in statement of other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

The carrying values of property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

**Capital work-in-progress**

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / installation year. These are transferred to relevant operating fixed assets as and when assets are available for use.

### 4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged on straight line method. Amortization on additions is charged in the month in which an asset comes into operation while no amortization is charged for the month in which the asset is disposed of.

### 4.3 Stores and spares

These are valued at lower of moving average cost and estimated net realizable value (NRV) except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

(a) At amortised cost

A financial asset is measured at amortised if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) At fair value through profit or loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(c) At fair value through other comprehensive income
A debt instruments is measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. However the Group is not having any investment in equity instruments.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through profit or loss**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
These assets are subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
Financial assets at fair value through OCI with no recycling of cumulative gains and losses (equity instruments)
These assets are subsequently measured at fair value. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. As at the date of statement of financial position, Group is not having any equity instrument designated at fair value through OCI.

**Derecognition**

A financial asset is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from The asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Financial liabilities at amortised cost**

Financial liabilities at amortised cost includes all financial liabilities, other than those measured at fair value through profit or loss, if any.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

**4.6 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**4.7 Contract liabilities**

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability are recognised as revenue when the Group performs under the contract.

**4.8 Revenue recognition**

During the year, the Group has adopted IFRS 15 which became applicable on July 01, 2018. This has resulted in change in accounting policies of the Group for revenue recognition. The changes are discussed in note 2.2 to these consolidated financial statements. The new accounting policy for revenue recognition are as follows:

Revenue is recognised at amounts that reflect the consideration that the Group expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- Revenue from sale of goods is recognised when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The credit term ordinarily ranges from 30 to 60 days.

**4.9 Other income**

Return on short-term deposits and investments at amortised cost are accounted for using the effective interest rate method.

**4.10 Advances, deposits, and prepayments**

These are stated at cost less provision for doubtful balance, if any.

**4.11 Share Capital**

Ordinary shares are classified as equity and recognized 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.

**4.12 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

**4.13 Unclaimed dividend**

Dividend declared and remain unpaid for the period of more than three years from the date it is due and payable.

**4.14 Unpaid dividend**

Dividend declared and remain unpaid for the period of three years from the date it is due and payable.

**4.15 Taxation**

**Current**

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

**Deferred**

Since the major portion of income of the Group is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these consolidated financial statements as the Group's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales, whereas, temporary differences in respect of other income are expected to be negligible.

**4.16 Staff benefits**

**Defined contribution plan**

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

**Defined benefit plan**

The Group operates an un-approved and unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Group has recognised related restructuring or terminations benefits. The latest actuarial valuation was carried out as of June 30, 2019 using Projected Unit Credit method.

**Employees' compensation absences**

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

**4.17 Provisions**

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

### 4.18 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 4.19 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

### 4.20 Functional and presentation currency

These consolidated financial statements are prepared in Pak Rupees, which is the Group's functional and presentation currency.

### 4.21 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 shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.22 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the consolidated financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### 4.23 Contingencies

Contingencies are disclosed when the Group has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### 4.24 Cash and cash equivalents

These are stated at cost.

### 4.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| Operating fixed assets | 5.1 | 11,388,151 | 8,939,671 |
| Capital work-in-progress | 5.7 | 2,070,731 | 1,907,307 |
| | | 13,458,882 | 10,846,978 |

5.1 Operating fixed assets

| | Free hold land | Building on freehold land | Lease hold land | Building on leasehold land | Leasehold improvements | Plant and machinery | Electric fittings / equipments | Office equipment | Computers | Furniture and fixtures | Vehicles | Arms and ammunitions | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | | | |
| **As at July 01, 2017** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,399,365 | 1,400,947 | 126,073 | 7,408,468 | 235,771 | 83,917 | 109,954 | 42,946 | 249,783 | 40 | 11,647,322 |
| Accumulated depreciation | - | (94,781) | - | (509,943) | (31,467) | (3,268,595) | (116,885) | (29,278) | (69,839) | (22,174) | (91,669) | (32) | (4,234,663) |
| Net book value | 441,808 | 53,469 | 1,399,365 | 891,004 | 94,606 | 4,139,873 | 118,886 | 54,639 | 40,115 | 20,772 | 158,114 | 8 | 7,412,659 |
| **Year ended June 30, 2018** | | | | | | | | | | | | | |
| Opening net book value | 441,808 | 53,469 | 1,399,365 | 891,004 | 94,606 | 4,139,873 | 118,886 | 54,639 | 40,115 | 20,772 | 158,114 | 8 | 7,412,659 |
| Additions / transfers during the year | - | - | 151,364 | 451,458 | 94,586 | 1,660,438 | 22,098 | 7,190 | 25,010 | 12,503 | 59,460 | - | 2,384,109 |
| Reclassification | - | - | - | - | - | - | - | 8 | - | - | - | (8) | - |
| **Disposals / transfers** | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | (300,191) | - | - | - | - | (36,108) | - | (336,299) |
| Accumulated depreciation | - | - | - | - | - | 201,743 | - | - | - | - | 22,571 | - | 224,314 |
| Net book value | - | - | - | - | - | (98,448) | - | - | - | - | (13,537) | - | (111,985) |
| Depreciation for the year | - | (5,347) | - | (112,931) | (60,816) | (488,542) | (13,133) | (8,811) | (16,053) | (2,325) | (37,152) | - | (745,112) |
| Closing net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| **As at June 30, 2018** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,550,729 | 1,852,405 | 220,661 | 8,968,715 | 257,869 | 91,115 | 134,964 | 55,449 | 273,135 | 32 | 13,695,132 |
| Accumulated depreciation | - | (100,128) | - | (622,874) | (92,285) | (3,855,394) | (130,018) | (38,089) | (85,892) | (24,499) | (106,250) | (32) | (4,755,461) |
| Net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| **Year ended June 30, 2019** | | | | | | | | | | | | | |
| Opening net book value | 441,808 | 48,122 | 1,550,729 | 1,229,531 | 128,376 | 5,113,321 | 127,851 | 53,026 | 49,072 | 30,950 | 166,885 | - | 8,939,671 |
| Additions / transfers during the year | - | - | 949 | 1,079,894 | 9,011 | 2,166,202 | 151,230 | 17,711 | 15,275 | 5,582 | 24,022 | - | 3,469,875 |
| **Disposals / transfers** | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | (231,516) | - | (330) | (30) | (84) | (59,636) | - | (291,596) |
| Accumulated depreciation | - | - | - | - | - | 170,311 | - | 221 | 29 | 31 | 32,704 | - | 203,296 |
| Net book value | - | - | - | - | - | (61,205) | - | (109) | (1) | (53) | (26,932) | - | (88,300) |
| Depreciation for the year | - | (4,812) | - | (154,811) | (89,471) | (604,922) | (17,349) | (9,641) | (16,562) | (3,311) | (32,214) | - | (933,093) |
| Closing net book value | 441,808 | 43,310 | 1,551,678 | 2,154,614 | 47,916 | 6,613,396 | 261,732 | 60,987 | 47,784 | 33,168 | 131,761 | - | 11,388,151 |
| **As at June 30, 2019** | | | | | | | | | | | | | |
| Cost / revalued amount | 441,808 | 148,250 | 1,551,678 | 2,932,299 | 229,672 | 10,603,401 | 409,099 | 108,496 | 150,209 | 60,947 | 237,521 | 32 | 16,873,411 |
| Accumulated depreciation | - | (104,940) | - | (777,685) | (181,756) | (3,990,005) | (147,367) | (47,509) | (102,426) | (27,779) | (105,760) | (32) | (5,485,260) |
| Net book value | 441,808 | 43,310 | 1,551,678 | 2,154,614 | 47,916 | 6,613,396 | 261,732 | 60,987 | 47,784 | 33,168 | 131,761 | - | 11,388,151 |
| Annual rates of depreciation | - | 10% | - | 10% | 40% - 65% | 10% | 10% | 15% | 30% | 10% | 20% | 15% | |

5.2 During the year ended June 30, 2017, four of the Group's plots of land were revalued resulting in surplus of Rs. 1,499 million. The valuation was carried out by an independent valuer - M/s. Joseph Lobo (Private) Limited on May 22, 2017 on the basis of present market values for similar sized plots in the vicinity of land and replacement values of similar type of land based on present cost (level 2).

Had there been no revaluation the net book value of freehold and leasehold land would have been Rs.145.68 million (2018: Rs.145.68) and Rs.196.49 million (2018: Rs.196.49), respectively.

5.3 Forced Sale value as per the last revaluation report as of June 30, 2017 of freehold and lease hold land is Rs.441.81 million and Rs.1,399.36 million, respectively.

5.4 **Particular of Immovable Asset in the name of the Group are as follows:**

| **Particular** | **Location** | **Total area (in acres)** |
|---|---|---|
| Production Plant | H- 23/4 A & B Scheme no. 3, Landhi Industrial Area, Karachi. | 23.75 |
| Production Plant | Survey no. 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C no. 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi | 149.23 |
| Production Plant | Plot no. 342-A, Haroonabad Industrial Area. | 0.04 |
| Production Plant | Plot no. D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Baluchistan. | 18.75 |

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

| | **2019** | **2018** |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| Cost of sales | 844,463 | 672,284 |
| Administrative cost | 88,632 | 72,828 |
| | 933,095 | 745,112 |

5.6 The aggregate book value of disposal of property, plant & equipment has exceeds Rs. 5,000,000 during the year for which the detail of disposals of property, plant & equipment having book value of more than Rs. 500,000 during the year are as follows:

| Particular | Cost | Accumulated Depreciation | Book Value | Sale Proceed | Gain / (Loss) | Mode of Disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|---|
| **Plant and Machinery** | | | | | | | |
| Absorption chiller 200 ton | 3,132,646 | 2,424,868 | 707,778 | 1,150,000 | 442,222 | Negotiation | Noor Hakeem |
| Warping machine | 13,587,875 | 11,667,961 | 1,919,914 | 1,900,000 | (19,914) | Negotiation | Falak |
| Comber machine | 19,820,518 | - | 19,820,518 | 8,100,000 | (11,720,518) | Negotiation | Ashraf Ali |
| Containers 40 & 20 feet | 2,350,450 | 1,638,120 | 712,330 | 935,000 | 222,670 | Negotiation | Mubashir Ali |
| Loop dryer | 9,995,143 | 7,661,324 | 2,333,819 | 1,450,000 | (883,819) | Negotiation | Falak |
| Proctor loop dryer | 22,677,098 | 16,482,765 | 6,194,333 | 950,000 | (5,244,333) | Negotiation | Humayun Niaz |
| Salvade dryer with corins | 38,592,186 | 29,447,575 | 9,144,611 | 1,200,000 | (7,944,611) | Negotiation | Shahbaz Ali |
| Sizing machine | 35,104,436 | 30,105,893 | 4,998,543 | 2,850,000 | (2,148,543) | Negotiation | Humayun Niaz |
| Sulzer loom P7100 | 1,810,000 | 1,294,069 | 515,931 | 750,000 | 234,069 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 1,810,000 | 1,294,069 | 515,931 | 750,000 | 234,069 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,115,725 | 1,445,640 | 670,085 | 750,000 | 79,915 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,136,725 | 1,459,989 | 676,736 | 750,000 | 73,264 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,149,925 | 1,469,009 | 680,916 | 750,000 | 69,084 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7100 | 2,169,897 | 1,482,655 | 687,242 | 750,000 | 62,758 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7250 | 9,602,688 | 7,934,306 | 1,668,382 | 2,000,000 | 331,618 | Negotiation | Muhammad Ali Hashmani |
| Sulzer loom P7250 | 9,602,688 | 7,934,306 | 1,668,382 | 2,000,000 | 331,618 | Negotiation | Muhammad Ali Hashmani |
| Warping machine | 3,760,902 | 3,246,460 | 514,442 | 1,300,000 | 785,558 | Negotiation | Shah Deen |
| Warping machine | 3,760,902 | 3,223,287 | 537,615 | 765,000 | 227,385 | Negotiation | Falak |
| Sub total | 184,179,804 | 130,212,297 | 53,967,507 | 29,100,000 | (24,867,507) | | |
| **Motor Vehicle** | | | | | | | |
| Honda Civic (BHQ-213) | 2,497,000 | 665,867 | 1,831,133 | 1,680,000 | (151,133) | Negotiation | Allied Shippers |
| Honda City (BKR-135) | 1,688,000 | 253,200 | 1,434,800 | 1,700,000 | 265,200 | Negotiation | Shumaila Iqbal |
| Toyota Corolla (BHL-370) | 1,862,500 | 701,542 | 1,160,958 | 1,300,000 | 139,042 | Negotiation | Usama humayun |
| Toyota Hiace (JF-5342) | 3,550,000 | 2,608,079 | 941,921 | 1,500,000 | 558,079 | Negotiation | Syed Barkat Ali |
| Suzuki Cultus (BKD-892) | 1,250,000 | 365,278 | 884,722 | 1,134,933 | 250,211 | Employee | Imran Nasir |
| Honda City (BEY-903) | 1,527,000 | 676,766 | 850,234 | 1,235,689 | 385,455 | Ex-Employee | Waqar Shamim |
| Suzuki Cultus (BHD-462) | 1,199,000 | 351,707 | 847,293 | 1,116,224 | 268,931 | Negotiation | Muhammad Ali Khan |
| Suzuki Cultus (BHD-627) | 1,199,000 | 450,558 | 748,442 | 986,058 | 237,616 | Employee | Shoaib Manzoor |
| Suzuki Cultus (BJF-034) | 1,204,000 | 456,717 | 747,283 | 1,006,030 | 258,747 | Employee | Abdul Waheed |
| Suzuki Cultus (BHG-201) | 1,199,000 | 465,212 | 733,788 | 970,263 | 236,475 | Ex-Employee | Kaleem Ullah Khan |
| Suzuki Mehran (BLD-596) | 802,000 | 140,796 | 661,204 | 802,000 | 140,796 | Insurance Claim | EFU & Jubilee Insurance |
| Suzuki Cultus (BFB-491) | 1,169,000 | 517,477 | 651,523 | 868,988 | 217,465 | Employee | Saima Yasir |
| Suzuki Mehran (BKZ-697) | 802,000 | 153,271 | 648,729 | 802,000 | 153,271 | Insurance Claim | EFU & Jubilee Insurance |
| Suzuki Mehran (BKW-676) | 732,000 | 139,893 | 592,107 | 724,680 | 132,573 | Ex-Employee | Muhammad Waqar |
| Honda City (BAR-392) | 1,542,000 | 1,001,979 | 540,021 | 446,715 | (93,306) | Employee | Muhammad Asif Shaikh |
| Suzuki Cultus (BDF-268) | 1,085,000 | 566,052 | 518,948 | 683,161 | 164,213 | Employee | Hamood Uddin |
| | 23,307,500 | 9,514,394 | 13,793,106 | 16,956,741 | 3,163,635 | | |
| **Grand total of 2019** | **207,487,304** | **139,726,690** | **67,760,614** | **46,056,741** | **(21,703,873)** | | |

*None of the directors or the Group has any relationship with the purchaser or employee.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **5.7** | **Capital work-in-progress** | | | |
| | Building on leasehold land | | 920,831 | 819,315 |
| | Plant and machinery | | 918,982 | 888,795 |
| | Furniture and fixtures | | 163 | 459 |
| | Equipment | | 51,147 | 16,361 |
| | Leasehold improvement | | 22,012 | 3,000 |
| | | 5.7.1 | 1,913,134 | 1,727,930 |
| | Advance for capital expenditure | | 157,597 | 179,377 |
| | | | 2,070,731 | 1,907,307 |
| **5.7.1** | **The movement is as follows:** | | | |
| | Balance at the beginning of the year | | 1,727,930 | 551,795 |
| | **Capital expenditure during the year** | | | |
| | Building on leasehold land | | 1,180,931 | 925,753 |
| | Plant and machinery | | 2,079,423 | 2,146,660 |
| | Computer | | 5,408 | 10,952 |
| | Furniture and fixtures | | 3,457 | 38,065 |
| | Equipments | | 194,284 | 589 |
| | Leasehold improvement | | 28,023 | 94,588 |
| | | | 3,491,526 | 3,216,607 |
| | **Transfer to operating fixed assets** | | | |
| | Building on leasehold land | | (1,079,416) | (451,441) |
| | Plant and machinery | | (1,967,185) | (1,448,678) |
| | Computers | | (5,408) | (11,577) |
| | Furnitures and fixtures | | (3,752) | (26,172) |
| | Equipments | | (159,498) | (589) |
| | Leasehold improvements | | (9,011) | (94,588) |
| | | | (3,224,271) | (2,033,045) |
| | Transfer to expenses / adjustment | | (82,052) | (7,427) |
| | | | 1,913,134 | 1,727,930 |

## 6 INTANGIBLE ASSETS – Software

| | | 2019 | 2018 |
|---|---|---|---|
| Cost | | | |
| Opening as at July 1 | | 35,215 | 36,058 |
| Additions during the year | | 496 | 1,956 |
| Write-off | | - | (2,799) |
| Closing balance | | 35,711 | 35,215 |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **Accumulated amortization** | | | |
| Opening as at July 1 | | (33,345) | (33,083) |
| Charge for the year | 6.1 | (514) | (262) |
| Closing balance | | (33,859) | (33,345) |
| **Net book value as at June 30** | | 1,852 | 1,870 |
| **Annual rates of amortization** | | 20% | 20% |

6.1 This represents the amortization charged to cost of sales.

## 7 LONG TERM INVESTMENTS

| | Note | 2019 | 2018 |
|---|---|---|---|
| **At amortised cost** | 7.1 | 186,000 | - |
| Sales tax refund bonds | | 153 | - |
| Add: Accrued profit | | 186,153 | - |

7.1 This represents the 1,860 sales tax refund bonds of Rs.100,000 each issued by the FBR Refund Settlement Company (Private) Limited on June 27, 2019 in lieu of payments of sales tax. These bonds carry profit @10% per annum and maturity latest by June 27, 2022.

| 8 STORES AND SPARES | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| General stores | | 333,238 | 373,210 |
| Chemicals | | 334,634 | 260,545 |
| Packing stores | | 201,034 | 143,465 |
| | | 868,906 | 777,220 |
| Stores and spares in transit | | 71,892 | 40,954 |
| Less: Provision for slow moving | 8.1 | (32,284) | (185,464) |
| | | 908,514 | 632,710 |

**8.1 Movement of provision for slow moving and obsolete stores and spares is as follows:**

| | 2019 | 2018 |
|---|---|---|
| Balance at the beginning of the year | 185,464 | 185,464 |
| Charge for the year | 8,356 | - |
| Write-off during the year | (161,536) | - |
| Balance at the end of the year | 32,284 | 185,464 |

| 9 | STOCK-IN-TRADE | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Raw material in: | | | |
| | - hand | | 2,931,448 | 1,554,945 |
| | - transit | | 51,101 | 20,583 |
| | | | 2,982,549 | 1,575,528 |
| | Work-in-process | 9.1 | 2,330,145 | 1,470,271 |
| | Finished goods | 9.2 & 9.3 | 1,098,393 | 846,471 |
| | | | 6,411,087 | 3,892,270 |

9.1 This include inventory of Rs.305.16 million (2018: Rs.153.50 million) held with the various parties for processing.

9.2 The amount of finished goods written down to NRV was Rs.261.96 million (2018: Rs.120.56 million).

9.3 Finished goods include stock in transit of Rs.236.98 million (2018: Rs.369.25 million).

| 10 | TRADE DEBTS – considered good | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Export | 10.1 | 7,617,757 | 5,171,521 |
| | Local | | 12,237 | 19,971 |
| | | | 7,629,994 | 5,191,492 |

10.1 This include an amount of Rs.69.36 million (2018: nil) due from a related party.

10.2 The maximum amount due from related parties, at the end of any month during the year were Rs.801.66 million (June 30, 2018: Rs.432.74 million) and balance outstanding from related party as at June 30, 2019 is not past due.

| 11 | ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | **Advances** | | | |
| | - suppliers | 11.1 | 145,802 | 313,181 |
| | - employees | | 465 | 575 |
| | | | 146,267 | 313,756 |
| | Deposits | 11.2 | 46,268 | 27,587 |
| | Prepayments | 11.3 | 161,378 | 7,562 |
| | **Other receivables** | | | |
| | Sales tax refundable | | 181,568 | 299,027 |
| | Export rebate / duty drawback | | 501,959 | 352,527 |
| | Due from Government | 11.4 | 507,931 | 1,121,347 |
| | Others | | 59,210 | 21,509 |
| | | | 1,250,668 | 1,794,410 |
| | | | 1,604,581 | 2,143,315 |

11.1 These represents interest free advances to suppliers having maturity latest by August 2019

| Jurisdiction | Name |
|---|---|
| North America | Synavax Inc. |
| Middle East | Caterpillar SARL.<br>MTU Middle East FZE |
| Europe | Remako Paper & Board B.V.<br>Saurer Spinning Solutions Gmbh & Co Kg<br>Legrom GMBH |
| Asia | Sudiva Spinners Private Limited<br>Jiaozuo Yuanbo Environment Protection Technology Company Limited<br>Battery Asia (S) Pte Limited<br>Trident Limited |

11.2 Include amount of Rs. 28.63 million paid to a related party (2018: Rs. 27.8 million).

11.3 This includes balance of Rs.156.098 million outstanding with related party.

| | | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| 11.4 | **Due from government** | | |
| | - Drawback of Local Taxes and Levies (DLTL) receivable | 317,291 | 951,098 |
| | - Technology Upgradation Fund Scheme | 89,278 | 122,560 |
| | - Mark-up receivable | 101,362 | 47,689 |
| | | 507,931 | 1,121,347 |
| 12 | **CASH AND BANK BALANCES** | | |
| | Cash in hand | 1,979 | 2,826 |
| | **Bank Balances - current account** | | |
| | Local currency | 3,178,126 | 82,773 |
| | Foreign currency | 87,593 | 117,935 |
| | | 3,265,719 | 200,708 |
| | | 3,267,698 | 203,534 |

## 13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2019 | 2018 | | 2019 | 2018 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in '000) | |
| **116,728,612** | 116,728,612 | Ordinary shares of Rs.10 each fully paid in cash | **1,167,286** | 1,167,286 |
| **859,020** | 859,020 | Issued as bonus shares | **8,590** | 8,590 |
| **259,213,336** | 259,213,336 | Issued against consideration other than cash – assets | **2,592,133** | 2,592,133 |
| **376,800,968** | 376,800,968 | | **3,768,009** | 3,768,009 |

13.1 As at June 30, 2019, institutions and others held 28,637,057 and 348,163,911 shares, respectively (June 30, 2018: 71 and 376,800,897). Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

13.2 Associated company and undertakings held an aggregate of 58,387,959 (2018: 70,346,459) ordinary shares in the Group as at year end.

## 14 RESERVES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Capital Reserve** | | | |
| Merger reserve | 14.1 | **543,413** | 543,413 |
| Share premium | 14.2 | **215,250** | 215,250 |
| Revaluation surplus on property, plant and equipment | | **1,499,008** | 1,499,008 |
| | | **2,257,671** | 2,257,671 |
| **Revenue Reserve** | | | |
| Accumulated profit | | **14,077,768** | 10,141,583 |
| | | **16,335,439** | 12,399,254 |

14.1 This represents merger surplus created at the time of merger between Feroze1888 Mills Limited and Feroze Textile Industries (Private) Limited in the year 2011-12.

14.2 The share premium account is a capital reserve and can be applied only in accordance with provisions of section 81 of the Companies Act, 2017.

## 15 DEFERRED LIABILITY

During the year, the Group has introduced a gratuity scheme. In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2019, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligation in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above mentioned scheme is as follows:

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Defined benefit obligation - Gratuity Scheme | 15.1 | **143,494** | - |

| | | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **15.1** | **Amounts recognised in the statement of financial position as follows:** | | |
| | Present value of defined benefit obligation | 143,494 | - |
| | Fair value of plan assets | - | - |
| | | 143,494 | - |
| **15.2** | **Movement in the present value of defined benefit obligation** | | |
| | Opening balance | - | - |
| | Current service cost | 143,494 | - |
| | Closing balance | 143,494 | - |
| **15.3** | **Movement in the fair value of plan assets** | | |
| | Opening balance | - | - |
| | Current service cost | - | - |
| | Closing balance | - | - |
| **15.4** | **Movement in net liability** | | |
| | Opening balance | - | - |
| | Charge for the year | 143,494 | - |
| | Closing balance | 143,494 | - |
| **15.5** | **Amounts have been charged in the statement of profit or loss in respect of these benefits:** | | |
| | Current service cost | 143,494 | - |
| **15.6** | **Actuarial assumptions** | | |
| | Valuation discount rate per annum | 14.50% | - |
| | Salary increase rate per annum | 14.50% | - |
| | Expected return on plan assets per annum | - | - |
| | Normal retirement age of employees | 60 years | - |

**15.7 Sensitivity analysis for actuarial assumptions**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | |
|---|---|---|
| | 0.5% increase | 0.5% decrease |
| | ----- (Rupees in '000) ----- | |
| **Assumptions** | | |
| Effect of change in discount rate | 135,426 | 152,408 |
| Effect of change in future salary increase | 152,700 | 135,097 |

**15.8** As of June 30, 2019, a total of 4,180 employees have been covered under the above scheme.

**15.9** As per the recommendation of the actuary, the charge for the year ending June 30, 2020 amounts to Rs.111.680 million.

| | | | 2019 | 2018 |
|---|---|---|---|---|
| **16** | **LONG TERM FINANCING - secured** | **Note** | ------- (Rupees in '000) ------- | |
| | Term loans | 16.1 | **2,266,934** | 912,842 |
| | Current portion | | **(275,388)** | (162,508) |
| | | | **1,991,546** | 750,334 |

**16.1 Term loans**

| Banks | Term | Repayment period | 2019 | 2018 |
|---|---|---|---|---|
| Habib Metropolitan Bank Limited | 8 Half yearly | 2017-2020 | **8,545** | 14,245 |
| | 8 Half yearly | 2017-2021 | **12,000** | 18,000 |
| | 8 Half yearly | 2017-2021 | **26,348** | 39,524 |
| | 10 Half yearly | 2018-2023 | **88,000** | 110,000 |
| | 10 Half yearly | 2019-2023 | **71,550** | 79,500 |
| | 10 Half yearly | 2019-2023 | **32,400** | 36,000 |
| | 10 Half yearly | 2019-2023 | **19,800** | 22,000 |
| | 10 Half yearly | 2019-2023 | **22,050** | 24,500 |
| | 10 Half yearly | 2019-2023 | **31,500** | 35,000 |
| | 10 Half yearly | 2019-2023 | **48,600** | 54,000 |
| | 10 Half yearly | 2019-2023 | **48,600** | 54,000 |
| | 10 Half yearly | 2019-2024 | **42,000** | 42,000 |
| | 10 Half yearly | 2020-2024 | **35,500** | - |
| | 10 Half yearly | 2020-2025 | **26,000** | - |
| | 10 Half yearly | 2020-2025 | **399,000** | - |
| | 10 Half yearly | 2020-2025 | **14,500** | - |
| | 10 Half yearly | 2020-2025 | **65,500** | - |
| Faysal Bank Limited | 16 Quarterly | 2017-2021 | **24,818** | 37,234 |
| | 16 Quarterly | 2017-2021 | **10,496** | 15,748 |
| | 16 Quarterly | 2017-2021 | **19,000** | 28,500 |
| | 16 Quarterly | 2017-2021 | **22,452** | 33,676 |
| | 16 Quarterly | 2017-2021 | **32,696** | 49,048 |
| | 16 Quarterly | 2017-2021 | **60,779** | 91,167 |
| | 20 Quarterly | 2019-2024 | **22,300** | 22,300 |
| | 20 Quarterly | 2019-2024 | **40,400** | 40,400 |
| | 20 Quarterly | 2019-2024 | **31,000** | 31,000 |
| | 20 Quarterly | 2019-2024 | **35,000** | 35,000 |
| | 10 Half yearly | 2020-2024 | **59,300** | - |
| | 10 Half yearly | 2020-2024 | **43,000** | - |
| | 10 Half yearly | 2020-2024 | **68,500** | - |
| Habib Bank Limited | 10 Half yearly | 2020-2024 | **25,500** | - |
| | 10 Half yearly | 2020-2024 | **27,000** | - |
| | 10 Half yearly | 2020-2024 | **32,000** | - |
| | 10 Half yearly | 2020-2024 | **7,300** | - |
| | 10 Half yearly | 2020-2024 | **137,000** | - |
| | 10 Half yearly | 2020-2025 | **6,300** | - |
| | 10 Half yearly | 2020-2025 | **22,000** | - |
| | 10 Half yearly | 2020-2025 | **151,500** | - |
| | 10 Half yearly | 2020-2025 | **91,400** | - |

| | | | 2019 | 2018 |
|---|---|---|---|---|
| | | | ------- (Rupees in '000) ------- | |
| Bank AL Habib Limited | 10 Half yearly | 2020-2024 | 19,000 | - |
| | 10 Half yearly | 2020-2025 | 16,000 | - |
| | 10 Half yearly | 2020-2025 | 30,000 | - |
| | 10 Half yearly | 2020-2025 | 5,000 | - |
| | 10 Half yearly | 2020-2025 | 48,000 | - |
| | 10 Half yearly | 2020-2025 | 28,000 | - |
| | 10 Half yearly | 2020-2025 | 41,500 | - |
| | 10 Half yearly | 2020-2025 | 51,000 | - |
| | 10 Half yearly | 2020-2025 | 12,800 | - |
| | 10 Half yearly | 2020-2025 | 10,000 | - |
| Bank AL Falah Limited | 10 Half yearly | 2020-2025 | 44,000 | |
| | | | 2,266,934 | 912,842 |

16.2 These represents long term finance facilities (LTFF) obtained from various commercial banks for import of machinery. These carry mark-up at the rates ranging from SBP LTFF rate plus 0.5% (2018: 0.5%) per annum. These facilities is secured against specific charge of plant and machinery of the Group. The principal portion of the loan is repayable in five years through semi-annually and quarterly installments after grace period of one year. The unutilized portion of long term finance is Rs. 1,571 million (2018: 1,061 million).

| 17 TRADE AND OTHER PAYABLES | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| Creditors | | 1,545,488 | 1,445,663 |
| Accrued liabilities | 17.1 | 2,966,013 | 1,977,099 |
| Workers' profits participation fund | 17.2 | 300,626 | 136,693 |
| Workers' welfare fund | | 22,706 | 76,605 |
| Advance from customers | | 10,625 | 14,507 |
| Payable to provident fund | | 19,297 | 15,577 |
| Others | | 45,933 | 35,835 |
| | | 4,910,688 | 3,701,979 |

17.1 This include an amount of Rs.1,263.55 million (2018: Rs.1,005.60 million) in respect of GID cess provision, Rs.688.60 million (2018: Rs.477.57 million) in respect of Gas tariff provision and Rs. 172.07 million in respect of RLNG provision.

| 17.2 Workers' profits participation fund | Note | 2019 | 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| Opening balance | | 136,693 | 129,775 |
| Interest on WPPF | | 21 | 85 |
| Charge for the year | | 300,626 | 136,641 |
| | | 437,340 | 266,501 |
| Less: Payment during the year | | (136,714) | (129,808) |
| Closing balance | | 300,626 | 136,693 |

| 18 SHORT-TERM BORROWINGS - secured | Note | 2019 | 2018 |
|---|---|---|---|
| Export re-finance | 18.1 | 6,490,000 | 2,550,000 |

**18.1** Represents utilized portion of export re-finance facilities from various commercial banks of Rs.7,310 million (2018: Rs.6,310 million) repayable / renewable from July 08, 2019 to October 19, 2019 and the Group also have unutilized running finance facility of Rs.180 million (2018: Rs. 180 million). These carry mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 0.5% (2018: 0.25% to 0.50%) per annum and 3 month KIBOR plus 0.25% to 1.50% per annum, respectively. These are secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Group.

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **19 ACCRUED MARK-UP** | | |
| Long term loans | 14,116 | 5,521 |
| Short term borrowings | 36,782 | 13,121 |
| | 50,898 | 18,642 |

**20 CONTINGENCIES AND COMMITMENTS**

**20.1 Contingencies**

No contingencies exist as at reporting date.

**20.2 Commitments**

| | 2019 | 2018 |
|---|---|---|
| - Outstanding letters of credit | 1,193,693 | 334,948 |
| - Outstanding letters of guarantee | 975,308 | 652,453 |
| - Capital expenditure | 1,235,205 | 615,950 |

**20.2.1** Post dated cheques of Rs.2,367 million (2018: Rs. 1,478 million) are issued to Custom Authorities in respect of duties on imported items.

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **21 SALES - net** | | | |
| Local | | 395,160 | 326,525 |
| Export | 21.1 | 28,552,557 | 21,213,874 |
| | | 28,947,717 | 21,540,399 |
| Export rebate | | 426,901 | 321,075 |
| | | 29,374,618 | 21,861,474 |
| Less: | | | |
| Sales tax | | 25,632 | 12,296 |
| Trade discounts | | 105,439 | 73,731 |
| | | 131,071 | 86,027 |
| | | 29,243,547 | 21,775,447 |

**21.1** Represents sales made to the following geographical regions:

| | 2019 | 2018 |
|---|---|---|
| America | 24,794,847 | 19,091,840 |
| Europe | 3,173,674 | 1,702,214 |
| Asia | 339,840 | 292,734 |
| Africa | 48,536 | 80,419 |
| Australia | 195,660 | 46,667 |
| | 28,552,557 | 21,213,874 |

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **22** | **COST OF SALES** | | ------- (Rupees in '000) ------- | |
| | Opening stock of finished goods | | 846,471 | 519,463 |
| | Add: Cost of goods manufactured | 22.1 | 21,857,743 | 17,276,760 |
| | | | 22,704,214 | 17,796,223 |
| | Less: Closing stock of finished goods | 9 | (1,098,393) | (846,471) |
| | | | 21,605,821 | 16,949,752 |
| **22.1** | **Cost of goods manufactured** | | | |
| | Raw material consumed | 22.1.1 | 13,293,218 | 9,385,318 |
| | Stores and spares consumed | | 2,906,153 | 2,545,062 |
| | Salaries, wages and other benefits | 22.1.2 | 3,291,804 | 2,815,701 |
| | Fuel, power and water | | 1,974,325 | 1,476,080 |
| | Insurance expense | | 33,756 | 28,252 |
| | Repair and maintenance | | 124,581 | 37,764 |
| | Vehicle running expenses | | 14,028 | 14,358 |
| | Communication and transportation | | 67,564 | 50,955 |
| | Rent | | 112,691 | 109,172 |
| | Depreciation | 5.5 | 844,463 | 672,284 |
| | Amortization | | 514 | 262 |
| | Entertainment | | 2,296 | 2,590 |
| | Other manufacturing expenses | | 52,225 | 34,485 |
| | | | 22,717,617 | 17,172,263 |
| | Opening work-in-process | | 1,470,271 | 1,574,768 |
| | Closing work-in-process | 9 | (2,330,145) | (1,470,271) |
| | | | 21,857,743 | 17,276,760 |
| **22.1.1** | **Raw material consume** | | | |
| | Opening stock | | 1,575,528 | 1,543,480 |
| | Purchases during the year | | 14,700,239 | 9,417,366 |
| | | | 16,275,767 | 10,960,846 |
| | Less: closing stock | 9 | (2,982,549) | (1,575,528) |
| | | | 13,293,218 | 9,385,318 |

**22.1.2** This includes an amount of Rs.67.14 million (2018: Rs.54.74 million) in respect of staff provident fund and Rs.143.49 million in respect of staff gratuity expense (2018: Rs.Nil).

| 23 | ADMINISTRATIVE COST | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Director fee | | 6,840 | 5,950 |
| | Salaries and benefits | 23.1 | 674,565 | 641,568 |
| | Utilities | | 16,292 | 17,796 |
| | Repairs and maintenance | | 28,932 | 25,504 |
| | Vehicle running expenses | | 31,067 | 27,564 |
| | Communication | | 7,100 | 4,198 |
| | Rent, rates, taxes and license fee | | 52,778 | 31,575 |
| | Conveyance and traveling | | 19,356 | 8,085 |
| | Printing and stationery | | 836 | 709 |
| | Legal and professional | | 10,025 | 18,323 |
| | Fees and subscriptions | | 6,485 | 5,720 |
| | Amortization | | - | 173 |
| | Depreciation | 5.5 | 88,632 | 72,828 |
| | Entertainment | | 5,784 | 4,367 |
| | Sanitation expense | | 40,585 | 34,311 |
| | Watch and ward | | 19,232 | 13,461 |
| | Training and development expnese | | 7,463 | 7,756 |
| | Miscellaneous expenses | | 14,811 | 9,442 |
| | | | 1,030,583 | 930,330 |

23.1 This includes amount of Rs.33.62 million (2018: Rs.28.22 million) in respect of staff provident fund.

| 24 | DISTRIBUTION COST | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Salaries and benefits | 24.1 | 130,168 | 118,009 |
| | Freight and insurance | | 314,912 | 237,497 |
| | Inspection and forwarding charges | | 168,586 | 146,503 |
| | Marketing and other related expenses | | 1,235,308 | 951,055 |
| | Export development surcharge | | 69,706 | 55,437 |
| | Others | | 3,319 | 3,256 |
| | | | 1,921,999 | 1,511,757 |

24.1 This includes amount of Rs.6.76 million (2018: Rs.5.91 million) in respect of staff provident fund.

| 25 | OTHER EXPENSES | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Loss on disposal of operating fixed asset- net | | 15,026 | 46,530 |
| | Workers' profit participation fund | | 300,626 | 136,641 |
| | Workers' welfare fund | | 22,706 | 16,686 |
| | Stock written off - net | | 519 | - |
| | Donations | 25.1 | 12,281 | 10,100 |
| | Auditors' remuneration | 25.3 | 5,588 | 2,380 |
| | | | 356,746 | 212,337 |

25.1 Donations include donation to following organisations exceeding Rs. 1,000,000 or 10% of total donations whichver is higher.

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Name of Donee** | | |
| The Indus Hospital | 7,453 | 7,075 |
| Bahar Education Foundation | 2,000 | - |
| Citizen Police Liaison Committee | 914 | 800 |

25.2 Donations include the following in which a director or their spouse were interested:

| Name of Directors | Name / Address of Donee | Interest in Donee |
|---|---|---|
| Mr. Khaleequr Rahman / Mr. Nasim Hyder | Indus Hospital, Plot C-76, Sector 31/5, Korangi Crossing, Karachi | Director |
| Mr. Khaleequr Rahman | Citizens Police Liaison Committee Central Reporting Cell - Sindh Governor's Secretariat Karachi | Director |

| 25.3 Auditors' remuneration | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Audit fee | | 1,310 | 1,330 |
| Half yearly review | | 500 | 500 |
| Out of pocket expenses | | 303 | 257 |
| Other certification / assignments | | 3,475 | 293 |
| | | 5,588 | 2,380 |

## 26 OTHER INCOME - financial assets

| | Note | 2019 | 2018 |
|---|---|---|---|
| Profit on short term investment | 26.1 | 55,627 | - |
| Profit on long term investments | | 153 | - |
| Exchange differences on realization of export receivables | | 1,992,730 | 718,671 |
| | | 2,048,510 | 718,671 |

26.1 This represents profit on short term investments ranging from 8% to 13% per annum (2018: Nil).

## 27 FINANCE COST

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Mark-up / interest on | | |
| - Long term financing | 39,576 | 20,741 |
| - Short term borrowings | 41,012 | 22,668 |
| - Workers' profits participation fund | 21 | 85 |
| | 80,609 | 43,494 |
| Bank charges | 75,283 | 42,236 |
| | 155,892 | 85,730 |

| | | 2019 | 2018 |
|---|---|---|---|
| **28** | **TAXATION** | (Rupees in '000) | |
| | Current | 234,061 | 64,931 |
| | Prior | (2,777) | (12,846) |
| | | 231,284 | 52,085 |

**28.1** The Group has filed its return of income up to tax year 2018. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed. the Group is subject to Final Tax Regime under Section 169 of the Income Tax Ordinance, 2001, therefore, relationship between income tax expense and accounting profit has not been presented.

| | | 2019 | 2018 |
|---|---|---|---|
| **29** | **EARNINGS PER SHARE – basic and diluted** | (Rupees in '000) | |
| | Net profit after the year | 5,989,732 | 2,752,097 |
| | Weighted average number of ordinary shares in issue | 376,800,968 | 376,800,968 |
| | | (Rupees) | |
| | Earnings per share - basic | 15.90 | 7.30 |

**29.1** There is no dilutive effect on basic earnings per share of the Group.

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

| Particular | 2019 Chief Executive | 2019 Executives | 2019 Total | 2018 Chief Executive | 2018 Executives | 2018 Total |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| Managerial remuneration | 25,994 | 497,765 | 523,759 | 18,886 | 416,699 | 435,585 |
| Bonus | 1,800 | 31,832 | 33,632 | 1,200 | 25,952 | 27,152 |
| Retirement benefits | 1,729 | 30,192 | 31,921 | 1,259 | 24,381 | 25,640 |
| Leave encashment | - | 8,274 | 8,274 | - | 6,428 | 6,428 |
| Other benefits | - | 10,997 | 10,997 | - | 1,553 | 1,553 |
| | 29,523 | 579,060 | 608,583 | 21,345 | 475,013 | 496,358 |
| Numbers | 1 | 119 | 120 | 1 | 102 | 103 |

**30.1** The Chief Executive and certain executives are provided with Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.

**30.2** Meeting fee of Rs. 6.46 million (2018: Rs.5.95 million) has been paid to eight (2018: seven) directors.

| | | 2019 Unaudited | 2018 Audited |
|---|---|---|---|
| **31** | **PROVIDENT FUND DISCLOSURES** | (Rupees in '000) | |
| | Size of the trust | 702,543 | 649,502 |
| | Cost of investment | 671,925 | 626,361 |
| | Fair value of investment | 651,296 | 609,707 |
| | | 2019 | 2018 |
| | | Percentage | |
| | Percentage of investment made | 96% | 96% |

Major categories of investment of provident fund are as follows:

| | 2019 ------- Unaudited ------- | | 2018 ----- Audited ----- | |
|---|---|---|---|---|
| | Investment | % of investment as size of the fund | Investment | % of investment as size of the fund |
| | (Rupees in '000) | | (Rupees in '000) | |
| Shares in listed Companies | 30,161 | 4.63 | 17,004 | 2.80 |
| Mutual fund | 61,832 | 9.49 | 153,326 | 25.20 |
| Investment in fixed deposit | 549,256 | 84.33 | 439,377 | 72.00 |
| Sukuk and ijarah certificates | 10,047 | 1.54 | - | |
| | 651,296 | 100.00 | 609,707 | 100 |

31.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

## 32 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise associates, directors, major shareholders of the Group, key management personnel and staff provident fund. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

| 32.1 Nature of transaction | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Transaction with associates** | | |
| Sale of goods | 1,836,984 | 1,162,895 |
| Purchases | 3,175 | 6,344 |
| Marketing Fee | 1,141,875 | 923,501 |
| Rent expense | 114,157 | 109,866 |
| Donation | 8,366 | 7,842 |
| **Transaction with directors** | | |
| Meeting fee | 6,460 | 5,950 |
| **Transaction with key management personnel** | | |
| Remuneration paid | 45,594 | 44,390 |
| Post-employment benefits | 2,748 | 2,761 |
| **Transaction with other related party** | | |
| Contribution to staff provident fund | 107,522 | 88,870 |
| Net payable to staff provident fund | 19,297 | 15,577 |

32.1.1 Following are the related parties with whom the Group had entered into transactions or have arrangement / agreement in place

| Particular | Relationship | Aggregate % of shareholding |
|---|---|---|
| 1888 Mills LLC, USA | Common Directorship | 5.0877% |
| The Indus Hospital | Common Directorship | - |
| Citizen Police Liaison Committee (CPLC) | Common Directorship | - |
| Friendship (Private) Limited | Common Directorship | - |
| UTI Industries (Private) Limited | Common Directorship | - |
| Feroze1888 Mills Limited - Provident Fund | Retirement benefit fund | - |
| Mr. Rehan Rehman | Chief Executive / Director | 2.2443% |
| Mr. Jonathan R. Simon | Director | - |
| Mr. Khaleequr Rehman | Director | 3.1363% |
| Mr. Shabbir Ahmed | Director | 19.8894% |
| Mr. Perwez Ahmed | Director | 5.4624% |
| Mr. Anas Rehman | Ex Director | 1.8570% |
| Mr. Abdul Rehman Yaqub | Ex Director | - |
| Mr. Nasim Hayder | Director | 0.0001% |
| Ms. Huma Pasha | Director | 0.0001% |
| Mr. Asim Shabbir Patka | Director | 2.1441% |
| Mr. Usama Rehman | Director | 2.0460% |
| Mr. Muhammad Faheem | Key Management Personnel | - |
| Mr. Muhammad Usama Siddiqui | Key Management Personnel | - |

## 32.2 Associated Companies Incorporated Outside Pakistan

| Name | Basis of Association | Country of Incorporation |
|---|---|---|
| 1888 Mills LLC,USA | Common Directorship | United States of America |

## 33 PRODUCTION CAPACITY IN METERS

| Towel | Capacity | Actual | Looms |
|---|---|---|---|
| **2019** | **126,510,915** | **119,938,031** | **348** |
| 2018 | 113,141,407 | 102,454,891 | 319 |

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

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

### 34.1 Financial assets as per statement of financial position

| | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| **Financial assets at amortised cost** | | |
| - Long term investments | **186,153** | - |
| - Long term deposits | **16,380** | 8,333 |
| - Trade debts | **7,629,994** | 5,191,492 |
| - Deposits and other receivable | **1,296,936** | 1,821,997 |
| - Cash and bank balances | **3,267,698** | 203,534 |
| | **12,397,161** | 7,225,356 |

| 34.2 Financial liabilities as per statement of financial position | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| **Financial liabilities measured at amortised cost** | | |
| - Long term financing | 1,991,546 | 750,334 |
| - Trade and other payables | 4,880,766 | 3,671,895 |
| - Short term borrowings | 6,490,000 | 2,550,000 |
| - Accrued mark-up | 50,898 | 18,642 |
| - Current portion of long term financing | 275,388 | 162,508 |
| - Unclaimed dividend | 1,873 | 1,150 |
| | 13,690,471 | 7,154,529 |

## 35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks i.e. market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The Group's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

### 35.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

### 35.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises from long-term financing and short-term borrowings obtained with floating rates. All the borrowings of the Group are obtained in the functional currency. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

| | 2019 | 2018 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| Long term financing | 2,266,934 | 912,842 |
| Short-term borrowing | 6,490,000 | 2,550,000 |
| | 8,756,934 | 3,462,842 |

### 35.1.2 Currency risk

Currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to the risk of changes in foreign exchange rates relate primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency).

**Exposure to currency risk**

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **US Dollar** | **Euro** | US Dollar | Euro |
| Trade debts | **46,153,416** | **272,108** | 42,314,000 | 244,849 |
| Foreign currency bank balances | **532,480** | **-** | 969,861 | - |
| Trade and other payables | **(435,130)** | **-** | (1,227,000) | - |

The following significant exchange rates have been applied at the reporting dates:

| | ----------- Rupees ----------- | | ----------- Rupees ----------- | |
|---|---|---|---|---|
| Closing exchange rates | **164.50** | **179.3** | 121.40 | 159.14 |

**Sensitivity Analysis**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the company's profit before taxation:

| | **Change in US Dollar rate (%)** | **Effect on profit before tax -- Rupees --** | **Change in Euro rate (%)** | **Effect on profit before tax -- Rupees --** |
|---|---|---|---|---|
| 30 June 2019 | +10 | 760,825,101 | +10 | 4,878,896 |
| | -10 | (760,825,101) | -10 | (4,878,896) |
| 30 June 2018 | +10 | 510,570,293 | +10 | 3,896,527 |
| | -10 | (510,570,293) | -10 | (3,896,527) |

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

**34.1.3 Equity price risk**

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. The Company does not have investment in equity shares.

**34.2 Credit risk**

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long term investments | 186,153 | - |
| Long term deposits | 16,380 | 8,333 |
| Trade debts | 7,629,994 | 5,191,492 |
| Deposits and other receivable | 1,296,936 | 370,414 |
| Bank balances | 3,265,719 | 200,538 |
| | 12,395,182 | 5,770,777 |

**Quality of financial assets**

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **Bank balances** | | |
| A1+ | - | 176,393 |
| A-1+ | 3,265,719 | 24,145 |
| | 3,265,719 | 200,538 |

**Trade debt**

The aging of trade debts at the statement of financial position date was:

| | | |
|---|---|---|
| Not past due | 7,457,236 | 4,652,848 |
| Past due 1-60 days | 156,920 | 538,644 |
| Past due 61 days - 90 days | 11,286 | - |
| More than 90 days | 4,552 | - |
| | 7,629,994 | 5,191,492 |

**34.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| 2019 | Upto 1 year | 1 – 5 years | More than five years | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Long term financing | 275,388 | 1,991,546 | - | 2,266,934 |
| Trade and other payables | 4,587,356 | - | - | 4,587,356 |
| Accrued mark-up | 50,898 | - | - | 50,898 |
| Short term borrowings | 6,490,000 | - | - | 6,490,000 |
| | 11,403,642 | 1,991,546 | - | 13,395,188 |

| 2018 | Upto 1 year | 1 – 5 years | More than five years | Total |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Long term financing | 162,508 | 685,694 | 64,640 | 912,842 |
| Trade and other payables | 3,448,621 | - | - | 3,448,621 |
| Accrued mark-up | 18,641 | - | - | 18,641 |
| Short term borrowings | 2,550,000 | - | - | 2,550,000 |
| | 6,179,770 | 685,694 | 64,640 | 6,930,104 |

**34.3.1 Changes in liabilities from financing activities**

| | 01 July 2018 | Cash Flows | 30 June 2019 |
|---|---|---|---|
| | (Rupees in '000) | | |
| Long term financing | 912,842 | 1,354,092 | 2,266,934 |
| Short term borrowings | 2,550,000 | 3,940,000 | 6,490,000 |

**34.4 Fair value of financial instruments**

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements appropriate their fair values.

**34.5 Capital risk management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Long-term financing | 1,991,546 | 750,334 |
| Deferred liability | 143,494 | - |
| Accrued Mark-up | 50,898 | 18,642 |
| Short-term borrowings | 6,490,000 | 2,550,000 |
| Trade and other payable | 4,910,688 | 3,701,919 |
| Current portion of long term financing | 275,388 | 162,508 |
| Total debt | 13,862,014 | 7,183,403 |
| Cash and bank balances | (3,267,698) | (203,364) |
| **Net debt** | 10,594,316 | 6,980,039 |
| Share capital | 3,768,009 | 3,768,009 |
| Reserves | 16,335,439 | 12,399,195 |
| **Total capital** | 20,103,448 | 16,167,204 |
| **Capital and net debt** | 30,697,764 | 23,147,243 |
| **Gearing ratio** | 34.51% | 30.15% |

34.6 **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements approximate fair values.

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| | (Rupees in '000) | | | | |
| Property, plant and equipment | - | 1,993,486 | - | 1,993,486 | 1,993,486 |

## 36 OPERATING SEGMENTS

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

- Revenue from export sales represents 98.64% (2018: 98.45%) of the total gross revenue of the Company.
- All non-current assets of the Company at June 30, 2019 are located in Pakistan.
- Sales made by the Group to two customers which constitutes 40% and 19%, respectively.

## 37 DIVIDEND AND APPROPRIATIONS

37.1 During the year, the Board of Directors of Xublimity (Private) Limited, a subsidiary company initiated legal procedures for members voluntary winding up as approved by the members through special resolution in annual general meeting held on October 27, 2018 and in this respect a liquidator appointed with effect from November 05, 2018. The subsidiary company fulfilled all the relevant legal formalities and filing requirements as required under the Companies Act, 2017 on March 29, 2019. The same were acknowledged and registered by SECP through letter dated April 18, 2019. Accordingly, subsequent to the year end, the subsidiary company stands dissolved with effect from July 18, 2019.

37.2 Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on September 06, 2019 has proposed final cash dividend @ Rs. 3.35/- per share amounting to Rs.1,262.28 million (2018: Rs. 2.45/- per share amounting to Rs. 923.162 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 3/- per share amounting to Rs. 1,130 million (2018: Rs. 1.20/- per share amounting to Rs. 452.161 million) approved by the Board of Directors for the year ended June 30, 2019.

37.3 The Finance Act, 2019 introduced a tax on every public company at the rate of 5% on profit before tax if the company fails to distribute at least 20% of its profit after tax as cash within six month after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed / approved cash dividend amounting to Rs.1,262.28 million for the financial and tax year 2018 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2019.

## 38 NUMBER OF EMPLOYEES

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

| | 2019 | 2018 |
|---|---|---|
| | -------Total------- | |
| Total number of employees as at June 30 | **3,661** | 3,693 |
| Average number of employees during the year | **3,585** | 3,575 |

**38 DATE OF AUTHORIZATION FOR ISSUE**

These unconsolidated financial statements were authorized for issue on September 06, 2019 by the Board of Directors of the Company.

**39 GENERAL**

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

39.2 Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.

| **HUMA PASHA** | **REHAN RAHMAN** | **MUHAMMAD FAHEEM** |
|---|---|---|
| DIRECTOR | CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER |

# FINANCIAL CALENDAR

**RESULTS**

| | | |
|---|---|---|
| First quarter ended September 30, 2018 | Approved & Announced on | October 29, 2018 |
| Half year ended December 31, 2018 | Approved & Announced on | February 23, 2019 |
| Third quarter ended March 31, 2019 | Approved & Announced on | April 24, 2019 |
| Year ended June 30, 2019 | Approved & Announced on | September 06, 2019 |
| Budget for the year 2019-2020 | Approved | July 29, 2019 |

| | |
|---|---|
| **Last Annual Report Issued on** | **October 01, 2019** |
| **47th Annual General Meeting Held on** | **October 23, 2019** |

# FORM 34

## Pattern of holdings of the shares held by the Shareholders as at June 30, 2019

| No of Shareholders | | Shareholdings | | | Total shares held |
|---|---|---|---|---|---|
| 433 | From | 1 | to | 100 | 13,569 |
| 228 | From | 101 | to | 500 | 66,474 |
| 82 | From | 501 | to | 1,000 | 72,437 |
| 117 | From | 1,001 | to | 5,000 | 290,517 |
| 24 | From | 5,001 | to | 10,000 | 187,463 |
| 16 | From | 10,001 | to | 15,000 | 205,451 |
| 5 | From | 15,001 | to | 20,000 | 88,000 |
| 5 | From | 20,001 | to | 25,000 | 115,000 |
| 2 | From | 25,001 | to | 30,000 | 58,000 |
| 1 | From | 30,001 | to | 35,000 | 30,600 |
| 2 | From | 35,001 | to | 40,000 | 77,000 |
| 1 | From | 40,001 | to | 45,000 | 40,500 |
| 3 | From | 50,000 | to | 55,000 | 151,000 |
| 1 | From | 60,001 | to | 65,000 | 62,500 |
| 3 | From | 95,001 | to | 100,000 | 289,572 |
| 1 | From | 130,001 | to | 135,000 | 131,000 |
| 1 | From | 210,000 | to | 215,000 | 210,000 |
| 1 | From | 235,001 | to | 240,000 | 236,500 |
| 1 | From | 250,000 | to | 255,000 | 250,000 |
| 1 | From | 295,000 | to | 300,000 | 295,000 |
| 1 | From | 420,001 | to | 425,000 | 421,000 |
| 1 | From | 440,001 | to | 445,000 | 443,000 |
| 1 | From | 500,001 | to | 505,000 | 501,105 |
| 1 | From | 670,001 | to | 675,000 | 671,000 |
| 1 | From | 1,020,001 | to | 1,025,000 | 1,023,501 |
| 1 | From | 1,540,001 | to | 1,545,000 | 1,542,500 |
| 1 | From | 2,000,000 | to | 2,005,000 | 2,000,000 |
| 1 | From | 3,490,001 | to | 3,495,000 | 3,491,000 |
| 1 | From | 5,020,001 | to | 5,025,000 | 5,023,114 |
| 1 | From | 5,650,001 | to | 5,655,000 | 5,652,015 |
| 1 | From | 6,900,001 | to | 6,905,000 | 6,900,231 |
| 2 | From | 7,000,001 | to | 7,005,000 | 14,000,747 |
| 1 | From | 7,450,001 | to | 7,455,000 | 7,454,332 |
| 1 | From | 7,705,001 | to | 7,710,000 | 7,709,465 |
| 1 | From | 8,075,001 | to | 8,080,000 | 8,079,019 |
| 6 | From | 8,455,001 | to | 8,460,000 | 50,738,606 |
| 1 | From | 11,815,001 | to | 11,820,000 | 11,817,542 |
| 1 | From | 12,705,001 | to | 12,710,000 | 12,708,049 |
| 1 | From | 14,745,001 | to | 14,750,000 | 14,749,907 |
| 1 | From | 18,995,001 | to | 19,000,000 | 18,997,685 |
| 1 | From | 19,165,001 | to | 19,170,000 | 19,169,434 |
| 1 | From | 20,580,001 | to | 20,585,000 | 20,582,223 |
| 1 | From | 21,810,001 | to | 21,815,000 | 21,811,149 |
| 1 | From | 24,305,001 | to | 24,310,000 | 24,308,000 |
| 1 | From | 39,190,001 | to | 39,195,000 | 39,192,607 |
| 1 | From | 74,940,001 | to | 74,945,000 | 74,943,154 |
| 960 | | | | | 376,800,968 |

## Pattern of Shareholding
## As at June 30, 2019

| Categories of Shareholders | Number of shareholders | Shares Held | Percentage |
|---|---|---|---|
| Associated Companies, undertaking and related parties | 2 | 58,362,959 | 15.49 |
| Investment Companies & Mutual Fund | 9 | 2,899,519 | 0.77 |
| Directors, Chief Executive Officer and their Spouse | 12 | 154,499,931 | 41.00 |
| Joint Stock Compnaies | 7 | 6,232,639 | 1.65 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurane and others | 15 | 25,737,538 | 6.83 |
| Individuals | 915 | 129,068,382 | 34.25 |
| | **960** | **376,800,968** | **100.00** |

# PATERN OF SHAREHOLDING
## ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)
## AS AT JUNE 30, 2019

| Shareholders' Category | | Number of Shareholders | Number of Shares held |
|---|---|---|---|
| **Associated Companies, undertaking and related parties** | | 2 | 58,362,959 |
| **Investment Companies & Mutual Funds** | | | |
| Shirazi Investment Limited | | 1 | 13 |
| CDC Trustee Meezan balanced Fund | | 1 | 250,000 |
| CDC Trustee Al Meezan Mutual Fund | | 1 | 443,000 |
| CDC Trustee Meezan Islamaic Fund | | 1 | 1,542,500 |
| CDC Trustee Meezan Tahaffuz Pension Fund-Equity Sub Fund | | 1 | 295,000 |
| CDC Trustee ABL Stock Fund | | 1 | 1,500 |
| CDC Trustee Meexan Asset Allocation Fund | | 1 | 131,000 |
| CDC Trustee Meexan Dedicated Equity Fund | | 1 | 236,500 |
| M/s.Investment Corporation of Pakistan | | 1 | 6 |
| **Directors and their spouse(s) and minor children** | | | |
| Mr. Jonathan R.Simon | Director/Chairman | 1 | - |
| Mr. Rehan Rahman | Chief Executive | 1 | 8,456,412 |
| Mr. Khaleequr Rahman | Director | 1 | 11,817,542 |
| Mr. Shabbir Ahmed | Director | 1 | 74,943,295 |
| Mr. Perwez Ahmed | Director | 1 | 20,582,223 |
| Mr. Nasim Hyder | Director | 1 | 500 |
| Ms.Huma Pasha * | Director | 1 | 500 |
| Mr. Asim Shabbir Ahmed * | Director | 1 | 8,079,019 |
| Mr. Usama Rehman * | Director | 1 | 7,709,465 |
| Mrs.Shahnaz Rahman | Spouse | 1 | 8,456,412 |
| Mrs.Saba Perwez | Spouse | 1 | 7,454,332 |
| Mrs.Sana Rehan | Spouse | 1 | 7,000,231 |
| * Elected on 23-12-2018 | | | |
| Executives | | 3 | 35,910,643 |

| | | |
|---|---|---|
| **Joint Stock Companies** | 7 | 6,232,639 |
| **Bank, Development Finance Institutions, Non-Banking Finance Companies & Others** | 14 | 1,429,538 |
| **Insurance Companies, Takeful, Modarabas and Pension Fund** | 1 | 24,308,000 |
| **Shareholders holding 5% or more voting interest:** | | |
| Mr. Shabbir Ahmed | 1 | 74,943,295 |
| Mr. Sheikh Zafar Ahmed | 1 | 18,997,685 |
| Mr. Perwez Ahmed | 1 | 20,582,223 |
| Mr. Omair Rehman | 1 | 21,811,149 |
| M/s. EFU Life Assurance Ltd | 1 | 24,308,000 |
| M/s.1888 Mills LLC (Foreign Company) | 1 | 19,170,352 |
| M/s. Grangeford Ltd (Foreign Company) | 1 | 39,192,607 |

**Details of purchase, sale and gift of share by Directors their spouse and Substantial Shareholders during the the year 2019**

| | | |
|---|---|---|
| M/s.Grangeford Limited (Substantial shareholders) | 983,500 | Sale |
| M/s.1888 Mills, LLC | 1,008,000 | Sale |
| Mr. Sheikh Khaleequr Rahman | 1,240,000 | Sale |
| Mr. Kashif Rehman | 2,052,000 | Sale |
| Mr. Sheikh Zafar Ahmed | 900,000 | Sale |
| Mr. Anas Rahman * | 165,000 | Sale |
| Mrs.Sana Rehan | 165,000 | Sale |
| Mrs.Saba Perwez | 3,292,000 | Sale |
| Mr.Shabbir Ahmed | 4,701,500 | Sale |
| Mrs.Huma Pasha | 500 | Buy |
| Mr.Asim Shabbir Patka | 293,500 | Sale |

* Term expired on 23-12-2018

# NOTICE OF 47th ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 47th Annual General Meeting of the Company will be held on Wednesday, 23 October, 2019 at 09:00 a.m. at B-4/A, SITE, Karachi to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Unconsolidated and Consolidated Annual Audited Financial Statements of the Company for the year ended 30 June, 2019 together with the Chairman's Review, Directors' and Auditors' report thereon.

2. To consider and, if though fit, approve as recommended by the Board of Directors, final cash dividend at the rate of Rs.3.35 per share i.e. (33.5%) to all shareholders of the company. In addition to Rs. 3.00 per share i.e. (30%) interim cash dividend already declared/paid for the year 30 June 2019.

3. To appoint statutory auditors for the year ending 30 June 2020 and to fix their remuneration. The present auditors Messrs. EY Ford Rhodes, Chartered Accountants retire and being eligible, have offered themselves for re-appoinment.

**OTHER BUSINESS**

To transact any other business with the permission of the Chair.

By order of the Board
(Muhammad Usama Siddiqui)
Company Secretary

Karachi:
30 September, 2019

**NOTES:**

1. Share Transfer Books of the Company will remain closed from Wednesday, 16 October, 2019 to Wednesday, 23 October, 2019 (both days inclusive). Transfer received at the office of Share Registrar at the close of business on Tuesday 15 October, 2019 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 holding physical shares, provide bank account details to company Share Registrar, M/s. Famco Associates (Pvt.) Ltd.

   Please note that 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 30%

   Shareholders are advised to provide their valid and updated CNIC/NTN to CDC Participants and our Shares Registrar 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. Members can also exercise their right of e-Voting subject to the requirements of Section 143 and 144 of the Companies Act, 2017 and the applicable clause of the Companies (Postal Ballot) Regulations, 2018.

10. 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 is has been provided earlier) alongwith proxy form to the Company.

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

# 47واں سالانہ اجلاس عام کا نوٹس

[illegible]

عمومی امور:

1. [illegible]
2. [illegible]
3. [illegible]

دیگر امور:

[illegible]

کراچی: 30 ستمبر 2019ء

[illegible]

کمپنی سیکریٹری

## نوٹس

1. [illegible]
2. [illegible]
3. [illegible]
4. [illegible]
5. [illegible]
6. [illegible]

| | |
|---|---|
| [illegible] | 15% |
| [illegible] | 30% |

[illegible]

7. [illegible]
8. [illegible]
9. [illegible]
10. [illegible]

### ذاتی طور پر شرکت کیلئے:

(i) [illegible]
(ii) [illegible]

### پراکسی نامزد کرنے کیلئے:

(i) [illegible]
(ii) [illegible]
(iii) [illegible]
(iv) [illegible]
(v) [illegible]

**رجسٹرڈ آفس:**
فیروز1888 ملز لمیٹڈ
H-23/4A، اسکیم نمبر 3
[illegible]

**شیئر رجسٹرار:**
[illegible]
F-88 [illegible]
[illegible] PECHS-6 [illegible]

# PROXY FORM

I/We, ____________________

of ____________________

being a member of Feroze1888 Mills Limited holding ____________________

Ordinary shares as per the Share Register Folio No. ____________ and/or CDC ____________

Participant I. D. No. ____________ and Account/Sub-Account No. ____________

hereby appoint ____________________ of ____________

or failing him/her ____________________

PROXY FORM E-voting (Option 2)
I/We ____________________

of ____________________

being a member of Feroze1888 Mills Limited holding ____________________

Ordinary shares as per the Share Register Folio No. ____________ and/or CDC ____________

Participant I. D. No. ____________ and Account/Sub-Account No. ____________

hereby appoint ____________________

or failing him/her

as my/our Proxy to vote for me and on my/our behalf at the 47th Annual General Meeting of the Company to be held at B-4/A, SITE, Karachi on Wednesday, 23th October, 2019 at 09:00 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.Signature ____________ | 2. Signature ____________ |
| Name ____________ | Name ____________ |
| Address ____________ | Address ____________ |
| CNIC/Passport No. ____________ | CNIC/Passport No. ____________ |

NOTES:

* A member entitled to attend and vote at the meeting may appoint a proxy in writing toattend 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 CNIC numbers shall be stated on the form

(ii) Attested copies of CNIC 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 CNIC 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.

# پراکسی فارم

پراکسی فارم (آپشن 1)

میں/ہم ____

ساکن ____

بحیثیت ممبر فیروز 1888 ملز لمیٹڈ حامل ____

عمومی شیئرز بمطابق شیئرز رجسٹر فولیو نمبر ____ اور/یا سی ڈی سی ____

شرکاء کی آئی ڈی نمبر ____ اور اکاؤنٹ/سب اکاؤنٹ نمبر ____

بذریعہ ہذا ____ ساکن ____

یا ان کے نہ ہونے پر ____

پراکسی فارم برائے ای-ووٹنگ (آپشن 2)

میں/ہم ____

ساکن ____

بحیثیت ممبر فیروز 1888 ملز لمیٹڈ حامل ____

عمومی شیئرز بمطابق شیئرز رجسٹر فولیو نمبر ____ اور/یا سی ڈی سی ____

شرکاء کی آئی ڈی نمبر ____ اور اکاؤنٹ/سب اکاؤنٹ نمبر ____

بذریعہ ہذا ____ ساکن ____

یا ان کے نہ ہونے پر ____

بطور پراکسی مقرر کرتا/کرتی ہوں تاکہ وہ میری/ہماری جگہ اور میری/ہماری طرف سے کمپنی کے 47 ویں سالانہ اجلاس عام، بمقام رجسٹرڈ آفس B-4/A، سائٹ کراچی 23 اکتوبر 2019 بوقت 9:00 بجے منعقد ہو رہا ہے، اس میں یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

ریونیو اسٹامپ پر دستخط
رقم -/5 روپے

ممبر دستخط ____

ممبر کا نام ____

فولیو نمبر/CDC نمبر ____

گواہان

| | |
|---|---|
| ۱) دستخط ____ | ۱) دستخط ____ |
| ۲) نام ____ | ۲) نام ____ |
| ۳) پتہ ____ | ۳) پتہ ____ |
| شناختی کارڈ نمبر/پاسپورٹ نمبر ____ | شناختی کارڈ نمبر/پاسپورٹ نمبر ____ |

**نوٹس:**

ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے، وہ تحریری طور پر کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کر سکتا ہے۔ پراکسی کمپنی کا ممبر ہونا چاہئے۔

اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں، پراکسی فارم مع دستخط مکمل کر کے کمپنی سیکریٹری کو رجسٹرڈ آفس پر اجلاس کے انعقاد سے 48 گھنٹے قبل بھجوا دیں۔

CDC اکاؤنٹ ہولڈرز/کارپوریٹ اداروں

مندرجہ بالا شقوں کے علاوہ درج ذیل تقاضوں کو پورا کریں:

(I) پراکسی فارم میں دو گواہان کے نام، دستخط اور ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔

(II) پراکسی فارم کیساتھ رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول بھی منسلک کریں۔

(III) پراکسی کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔

(IV) Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/Power of Attorney مع دستخط کے نمونے (اگر پہلے جمع نہ کروائی گئی ہو) پراکسی فارم کے ہمراہ کمپنی کو جمع کروائیں۔


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Plot # H-23/4-A and H-23-4/B, Scheme # 3.
Landhi Industrial Area, Landhi, Karachi

For any feedbacks suggestions or quieries kindly email us at
suggestions@feroze1888.com

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