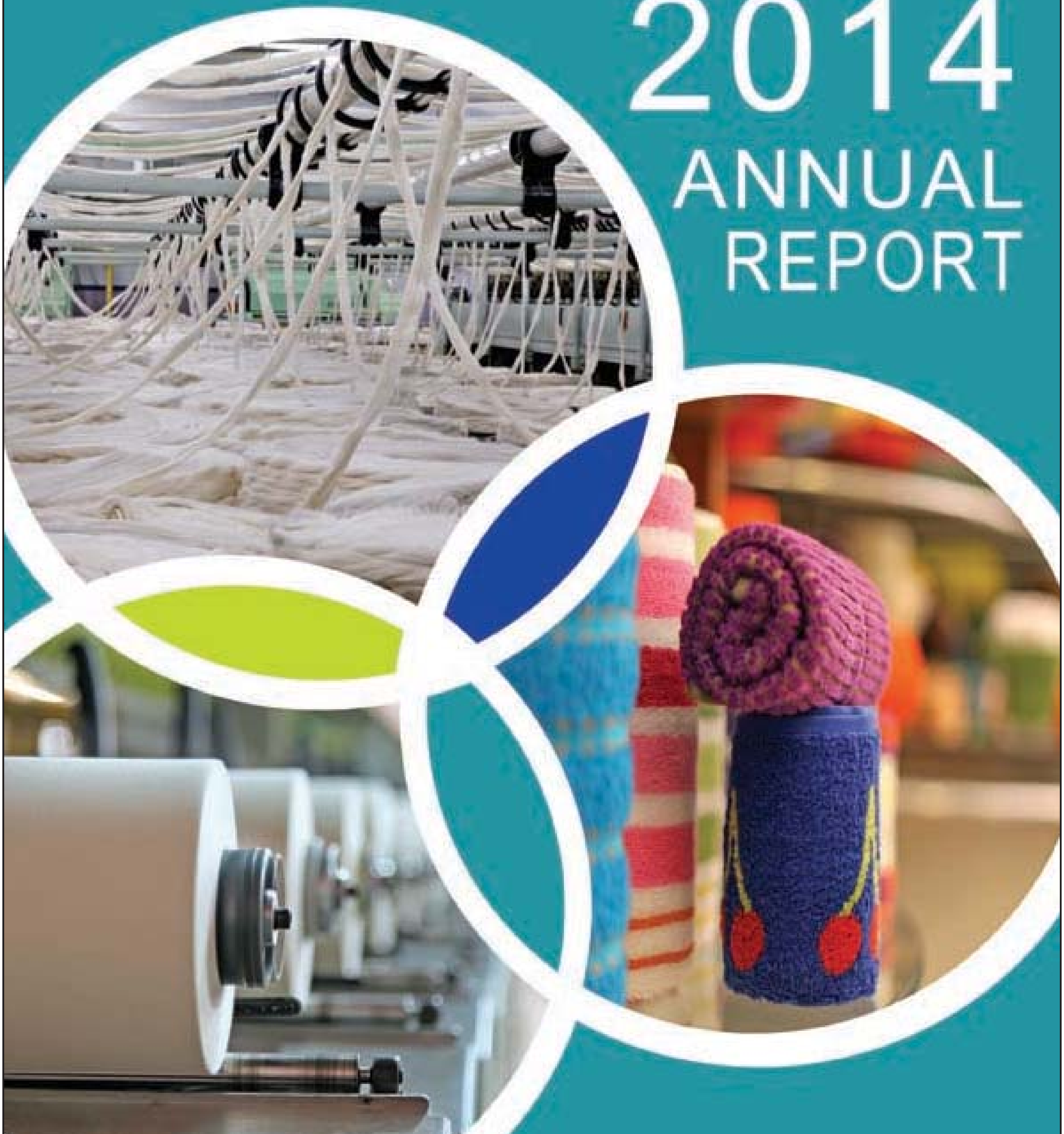
Feroze1888 Mills Limited

2014 ANNUAL REPORT



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COMPANY INFORMATION

Board Of Directors	:	Anas Rahman	- Chief Executive
		Jawed Yunus Tabba	
		Jonathan R. Simon	
		Khaleequr Rahman	- Chairman
		Pervez Saeed	
		Perwez Ahmed	
		Shabbir Ahmed	
		Sheikh Zafar Ahmed	
Audit Committee	:	Jawed Yunus Tabba	- Member
		Pervez Saeed	- Chairman
		Perwez Ahmed	- Member
Human Resource & Remuneration Committee	:	Anas Rahman	
		Jawed Yunus Tabba	
		Khaleequr Rahman	
		Shabbir Ahmed	
Company Secretary	:	Abdul Aleem, FCA	
Bankers	:	Askari Bank Limited	
		Bank Al Habib Limited	
		Habib Bank Limited	
		Habib Metropolitan Bank Limited	
		Meezan Bank Limited	
		Standard Chartered Bank (Pakistan) Limited	
		United Bank Limited	
Auditors	:	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants 180-A, S.M.C.H.S., Karachi	
Legal Advisor	:	M. Adam Patel & Co.	
Share Registrar	:	FAMCO Associates (Pvt.) Ltd 8-F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal Karachi.	
Registered Office	:	H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi	
Website	:	http://www.feroze1888.com	

MISSION STATEMENT

Our mission is to manage and operate the Company in a manner that allows continued growth and profitability without high risk for investors, customers and employees. We do this by offering quality products to our customers, by constantly striving to improve our products to meet or exceed our customers' needs, allowing us to prosper as a business, and to provide stable, secure income and employment for our employees and a reasonable return for our stakeholders, the owners of our business.

VISION STATEMENT

The future of our Industry will be characterized by tough competition. In future, we will be constrained of capacity utilization, tough and sluggish market and rising cost but we will strive hard to be able to make profit and thus create value for our stakeholders and to continue as a successful company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting of the Members of the Company will be held at B-4/A, SITE, Karachi on Tuesday, October 28, 2014 at 11.00 a.m. to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

2. To consider and approve the final cash dividend of Rs. 2.0 per share (20%) to all shareholders except directors, their relatives and associates and Rs. 0.50 per share (5%) to directors, their relatives and associates as recommended by the Board of Directors. This is in addition to interim cash dividend of Rs. 2.0 per share (20%) to all shareholders except directors, their relatives and associates and Rs. 0.50 per share (5%) to directors, their relatives and associates already paid during the year making a total dividend of Rs. 4.0 per share (40%) to all shareholders except directors, their relatives and associates and Rs. 1.00 per share (10%) to directors, their relatives and associates as recommended by the Board of Directors.

3. To appoint auditors for the year ending June 30, 2015 and to fix their remuneration. The retiring auditors Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants being eligible have offered themselves for re-appointment.

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

By Order of the Board
(Abdul Aleem)
Company Secretary

Karachi: September 12, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from Tuesday, October 21, 2014 to Tuesday, October 28, 2014 (both days inclusive). Transfers received at the office of Share Registrar at the close of business on Monday, October 20, 2014 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 Identity Card or Passport to prove his/her identity.

3. Members are requested to notify any change in their address immediately.

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

5. Securities and Exchange Commission of Pakistan (SECP) vide notifications dated August 18, 2011 and July 05, 2012 made it mandatory that dividend warrants should bear CNIC number of the registered members, therefore, members who have not yet submitted photocopy of their valid Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws. Failure to provide the same would constrain the Company to withhold dispatch of dividend warrants.

6. As directed by SECP vide Circular No. 18 of 2012 dated August 18, 2012, we already given opportunity to shareholders to authorize the Company to directly credit in his/their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrant, please provide the relevant details.

7. Shareholder are informed that Incom Tax Ordinance, as amended by Finance Act, 2014, has prescribed 15% withholding tax on dividebd payment to non filers while filers of income tax returns will be liable to withholding tax @ 10%. Shareholders are advised to provide their NTN to Share Register of Company for availing the benefit of withholding tax rate applicable to filers.

8. **GUIDELINES FOR CDC ACCOUNT HOLDERS ISSUED BY SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

For personal attendance:

(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 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 Computerised National Identity Card (CNIC) numbers 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 it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT

Your directors are pleased to present the 42nd Annual Report together with the audited financial statements for the year ended June 30, 2014.

OPERATING AND FINANCIAL PERFORMANCE

By the grace of Almighty Allah, the most beneficent the most merciful, we completed the third year as merged entity. The year under report was again a year witnessing both growth and stability in operational and financial performance. While reviewing the notes to the accounts the members would note that the operational results of the company are substantially the same as were of last year though the numbers of looms were higher during the year ended June 30, 2014. The new looms became available for production in the last week of June 2014 whereas inefficient looms, planned to be discarded, were disposed off earlier and the same has resulted in theoretical number of increase in looms with only marginal capacity adjustment during the year under review.

You are aware that we constantly strive to be the best rather than bigger. The major efforts include continuous thrust on modernization and elimination of capacity imbalance and the Company during the year invested around Rs. 795 million in machineries of which the major part was invested in spinning, weaving and energy. The economies of modernization and reduction of capacity imbalance along with lessor volatile cotton and yarn market, continuity of all major customers coupled with stability in selling prices, increased volume of orders, constants export refinance rate, no further enhancement of gas prices after August 2013, success in further reduction of inefficiencies etc. helped us to achieve historically highest turnover and profit. The profitability would have been even higher but for reason like gas supply issues, low gas pressures, up-surged in prices and above all the due to sudden and sharp rupee appreciation without corresponding effects.

The gross sales value during the year under review was 18.62 billion compared to 14.23 billion in the last year whereas the net sales volume during the year was 17.70 billion whereas the same as 13.48 billion during the last year. The gross and net sales have shown improvement of 30.88% and 31.25% respectively which is quite impressive. The gross profit percentage was 18.9% which is 0.13% lower than last year but in terms of amount the same is higher by 779 million. Selling, distribution and other operating cost are higher by Rs. 159 million but have reduced by 0.8% during the year. The amount increase represents the cost incurred on higher dispatches, periodic cost going up due to revisions and increments and general inflation. The finance cost has gone up by Rs. 115 million mainly on account of loss on exchange caused by rupee appreciation in the short span of time which has also not enabled us to use other forex market products throughout the year to reduce our finance cost. However, the profit before tax and profit after tax have depicted improvement by 36.48% and 36.27% respective over the last year. Resultantly the earning per share has gone up by Rupees 1.20 per share to Rupees 4.50 per share during the year under review.

FUTURE OUTLOOK

Few of the extracts from the State Bank's Monetary Policy Statement released in July 2014 which comments on the state of country's economy are as under:

- Economic conditions are certainly better at the beginning of FY15 than a year ago. A detailed assessment of the economy, however, indicates that challenges and vulnerabilities remain. Continuation of prudent policies and reforms are needed to build-on positive developments and to achieve protracted stability. Similarly, energy sector reforms can not only provide critical impetus to economic growth but also help reduce import bill and thus ease pressure on the balance of payments position.

- Going forward, an analysis of financial indicators of major industries along with persistent energy shortages and deteriorating security conditions hint towards some risks to credit demand.

- Global economic growth prospects remain weak as advance economies, particularly US and Euro zone, continue to experience slow growth despite corrective measures. While Japan has exhibited better economic activity, its ability to drive advance economies' growth is contingent upon the success of its structural reforms. At the same time, emerging economies, after recovering from the recent financial crisis, are already operating close to their potential. Resultantly, the global economy is expected to grow slower during 2014. In its latest assessment, the World Bank has revised its projection for growth in global output downwards by 40 bps to 2.8 percent for 2014.

The concerns shown and analysis made by the State Bank are not new but are continuing for considerable period of time and all trade bodies and forums time and again draws government's attention to seriously address to the same specially the energy crisis. The textile sector which alone having significant contribution in GDP, contributing more than 50% of total export and largest employer of country's workforce has unfortunately been taken as granted by the Government and resultantly the sector is losing the market, though not at alarming level but if the same continues, God forbids the worst may be witnessed. The nation has witnessed certain efforts to improve the law and order situation as well as to add additional generation capacity to national grid whereas the textile export sectors has been offered special incentives which includes, cutting markup rate on export refinance as well as on long term financing facility for up gradation of technology, extension in the duty free export of textile machinery, time payment of refunds and rebates, rebates on enhanced exports. On the other hand budget also brought some negatives like change in Gas Infrastructure Development Cessto Rupees150/200 per mmbtu from Rs. 50 per mmbtu, which will exert a downward pressure on sectors already depressed margins.The management of the Company would also be focusing on further reducing capacity imbalance, replacement of inefficient machineries, examining the possibility of reducing costs at all levels and evaluating new value added products, timely purchase of cotton and use of financial products efficiently with moderate approach. We are not foreseeing many challenges ahead and are hopeful to maintain the results.

CORPORATE SOCIAL RESPONSIBILITY

Contiued commitment towards excellence in Health, Safety and Environment continued to recive highest priority in all operational and functional area by complying with the Laws and Regulations first, and then going beyond the mandate to keep our planet safe for future generations. Minimizing the environmental impact of our operations assumes utmost priority. The conservation of nafural resources, reduction in wastages, enhancement of recycling, improvement of engergy efficiency and enhancement of environmental performance by reducing spills and releases were the top priorities while observing the "Corporate Social Responsiblity". The Company's firm and clear policy of 'safety of persons overrides all production targests' which drives all emplyees to continuously break new grounds in safety management for the benefit of the people, property, environmrnt and the communities in which we operates. Like Prior years the "Social Responsibility Squad" (SRS)" established in 2011 with primary focus and emphasis on areas like health safety, environment, education and humanity continus to contribute. Besides providing financial and other support to the staff we also celebrated all important days with reference to health and environment.

DIVIDEND & SUBSEQUENT APPROPRIATION

The Board has recommended a final cash dividend @ 20% i.e., Rs. 2.00 per share (in addition to 20% interim cash dividend) for all shareholders of the Company except directors, their relatives and associates and @ 5% i.e., Rs. 0.50 (in addition to 5% interim cash dividend) for directors, their relatives and associatesin addition to and accordingly the following appropriation has been made.

	(Rupees in '000)	
	2014	**2013**
Accumulated profit brought forward	**1,024,683**	5,758
Profit after taxation for the year	**1,697,472**	1,245,635
Accumulated profit	**2,722,155**	1,251,393
Cash Dividend – Interim	**(188,793)**	(113,355)
Cash Dividend – Final	**(188,793)**	(113,355)
	(377,586)	(226,710)
Accumulated profit carried forward	**2,344,569**	1,024,683

CORPORATE GOVERNANCE

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

1. The financial statements for the year ended June 30, 2014, prepared by the management of the Company, present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained.
3. In preparation of the financial statements, appropriate accounting policies have been consistently applied and the accounting estimates are based on prudent judgment.
4. International Accounting Standards, as applicable to Pakistan, have been followed in preparation of the financial statements, and the non-applicability, if any, has been adequately disclosed.
5. The sound system of internal controls has been effectively implemented and is being continuously monitored. The process of review will continue and any weaknesses in controls will be removed.
6. There are no significant doubts about the Company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance as defined in the listing regulations of the stock exchange.
8. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2013 was Rs. 265.04 million.
9. There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.

10. During the year none of the Directors, Chief Executive, and Chief Financial Officer, Company Secretary and their spouses and minor children has traded in the shares of the company.
11. Key operating and financial data for the last six years is annexed.
12. Four, four and one meetings of Board of Directors, Audit Committee and HR & Remuneration Committee were respectively held during the year. Attendance by the directors/members is given below:

Board of Directors:		Audit Committee:		HR & Remuneration Committee:	
Mr. Khaleequr Rahman	4	Mr. Pervez Saeed	-	Mr. Khaleequr Rahman	1
Mr. Shabbir Ahmed	2	Mr. Perwez Ahmed	4	Mr. Shabbir Ahmed	1
Sheikh Zafar Ahmed	3	Mr. Jawed YunusTabba	4	Mr. Jawed YunusTabba	1
Mr. Perwez Ahmed	4			Mr. Anas Rahman	1
Mr. Jonathan R. Simon	4				
Mr. Jawed YunusTabba	3				
Mr. Pervez Saeed	-				
Mr. Anas Rahman	4				

Directors/members who could not attend meeting due to illness or some other engagements were granted leave of absence.

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

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

AUDITORS

The auditors M/s Rahman Sarfaraz Rahim Iqbal Raifq, Chartered Accountants, retires and being eligible, has offered themselves for re-appointment.

PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2014 required under the Companies Ordinance, 1984 and the Code of Corporate Governance.

ACKNOWLEDGMENTS

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

For and on behalf of the Board

Khaleequr Rehman
Chairman

Karachi: September 12, 2014

PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2014

No. of Shareholders		Shareholding				Total Shares held
307	From	1	to	100	Share	9,090
135	From	101	to	500	Share	30,035
31	From	501	to	1,000	Share	23,884
29	From	1,001	to	5,000	Share	60,851
3	From	5,001	to	10,000	Share	24,803
2	From	10,001	to	15,000	Share	24,045
1	From	90,001	to	95,000	Share	93,072
1	From	5,533,001	to	5,533,500	Share	5,533,235
1	From	6,155,001	to	6,160,000	Share	6,156,402
4	From	7,165,001	to	7,165,500	Share	28,660,924
6	From	8,456,001	to	8,456,500	Share	50,738,472
1	From	8,723,001	to	8,723,500	Share	8,723,114
1	From	10,746,001	to	10,746,500	Share	10,743,832
1	From	12,708,001	to	12,708,500	Share	12,708,049
1	From	13,057,501	to	13,058,000	Share	13,057,542
1	From	15,237,001	to	15,237,500	Share	15,237,407
1	From	19,099,001	to	19,099,500	Share	19,099,015
1	From	19,897,501	to	19,898,000	Share	19,897,685
1	From	20,178,001	to	20,178,500	Share	20,178,352
1	From	21,242,001	to	21,242,500	Share	21,242,223
1	From	64,049,501	to	64,050,000	Share	64,049,686
1	From	80,509,001	to	80,509,500	Share	80,509,250
531						**376,800,968**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2014

Categories of shareholders	Number of shareholders	Share held	Percentage
Directors, Chief Executive Officer, their spouse and minor Chilrden	11	176,313,187	46.79
NIT AND ICP	1	6	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions and others	1	65	0.00
Shareholding 10% or more	1	64,049,686	17.00
General Public	517	136,438,024	36.21
	531	376,800,968	100.00

PATTERN OF SHAREHOLDING
ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)
AS AT JUNE 30, 2014

Shareholders' Category		Number of Shareholders	Number of Shares held
Associated Companies, undertaking and related parties		–	–
NIT and ICP			
M/s.Investment Corporation of Pakistan		1	6
Directors, CEO, their Spouses and minor Children (name wise details)			
Mr. Khaleequr Rahman	Director/Chairman	1	13,057,542
Mr. Anas Rahman	Chief Executive	1	7,165,231
Mr. Shabbir Ahmed	Director	1	80,509,250
Sheikh Zafar Ahmed	Director	1	19,897,685
Mr. Perwez Ahmed	Director	1	21,242,223
Mr. Jonathan R.Simon	Director	1	–
Mr. Pervez Saeed	Director	1	2,500
Mr. Jawed Yunus Tabba	Director	1	1,105
Mrs. Shahnaz Rahman	Spouse	1	8,456,412
Mrs. Humaira Zafar	Spouse	1	15,237,407
Mrs. Saba Perwez	Spouse	1	10,743,832
Executives			–
Public Sector Companies			–
Bank, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds		1	65
Shareholders holding 5% or more voting interest:			
Mr. Shabbir Ahmed		1	80,509,250
Mr. Sheikh Zafar Ahmed		1	19,897,685
Mr. Perwez Ahmed		1	21,242,223
Mr. Omair Rehman		1	19,099,015
M/s. 1888 Mills LLC (Foreign Company)		1	20,178,352
M/s. Grangeford Ltd (Foreign Company)		1	64,049,686

KEY OPERATING AND FINANCIAL DATA

Year Ended June 30,	2014	2013	2012	2011	2010	2009
ASSETS EMPLOYED					(Rs. in million)	
Property, plant and equipment	5,210.87	4,547.77	4,705.28	4,520.23	3,944.41	1,544.10
Intangible assets	10.28	15.43	20.69	22.21	16.44	-
Investments, long term advances and deposits	5.36	5.31	5.27	4.51	4.51	3.03
Current assets	7,414.04	6,904.32	5,459.26	6,376.56	3,742.76	843.31
Assets classified as held for sale	–	–	–	0.79	5.09	70.88
Total Assets Employed	**12,640.55**	**11,472.83**	**10,190.50**	**10,924.30**	**7,713.21**	**2,461.32**
FINANCED BY						
Shareholders' equity	7,060.03	5,664.70	4,721.22	4,186.61	4,072.45	304.41
Long term liabilities	472.09	606.25	795.83	964.89	568.05	909.51
Current liabilities	4,027.76	4,121.21	3,592.79	5,204.74	2,504.64	641.12
Liabilities classified as held for sale	–	–	–	–	–	134.30
Total Funds Invested	**11,559.88**	**10,392.16**	**9,109.84**	**10,356.24**	**7,145.14**	**1,989.34**
VALUE ADDITION & ITS DISTRIBUTION						
Net Sales including sales tax	17,709,129	13,490,249	13,284,356	11,728,178	1,772,402	1,749,298
Bought in materials and services	11,851,169	9,303,758	10,724,543	9,087,206	1,311,627	1,325,913
Distribution cost	442,630	383,153	357,354	350,338	84,548	112,719
Administrative, financial and other charges	1,888,814	986,792	574,836	628,292	47,750	80,454
Government (including workers' fund & income tax)	320,527	230,860	154,759	126,365	13,213	17,264
Employees	1,508,517	1,340,051	937,722	757,799	171,959	218,335
Retained in business	1,697,472	1,245,635	535,142	778,178	143,305	(5,387)
Total Distribution	17,709,129	13,490,249	13,284,356	11,728,178	1,772,402	1,749,298
KEY FINANCIAL RATIOS						
Gross profit	18.90%	19.03%	14.30%	18.14%	18.26%	14.22%
Net profit/(loss) (after tax to sales)	9.59%	9.24%	4.03%	6.64%	7.02%	-0.37%
Debt equity ratio	7:93	11:89	14:86	19:81	34:66	27:73
Current ratio	1.84	1.68	1.52	1.23	6.90	0.00
Return on assets ratio	0.13	0.11	0.05	0.07	0.02	(2.63)
Return on equity ratio	0.23	0.20	0.10	0.17	0.11	(0.01)
Inventory turnover ratio - Times	4.68	3.88	4.00	3.94	1.30	5.17
Fixed assets turnover ratio - Times	3.36	2.95	2.79	2.59	0.45	1.08
Assets turnover ratio - Times	1.36	1.18	1.30	1.08	0.23	0.72
SHARES AND EARNINGS						
Break-up value without revaluation	18.74	15.03	12.53	11.11	10.81	4.06
Break-up value with revaluation	21.60	17.90	15.40	12.62	12.32	11.98
Earning per share from continued operation	4.50	3.31	1.42	2.07	1.20	(0.09)
Earning per share from discontinued operation	–	–	–	0.13	0.18	0.01
No. of shares ('000)	376,801	376,801	376,801	376,801	376,801	74,987
Dividend paid	302,149	302,149	524	524	–	–

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Name
Independent Director	Mr. Pervez Saeed
Executive Director	Mr. Sheikh Zafar Ahmed
	Mr. Anas Rahman
Non-Executive Directors	Mr. Khaleequr Rahman
	Mr. Shabbir Ahmed
	Mr. Perwez Ahmed
	Mr. Jonathan R. Simon
	Mr. Jawed Yunus Tabba

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

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

4. No casual vacancy has arisen during the year ended on June 30, 2014.

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

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

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

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

9. The board arranged two training programs for its directors during the year.

10. The board shall approve appointment of CFO, Company Secretary and Head of Internal Audit made after the Code has taken effect, including their remuneration and terms and conditions of employment.

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

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

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

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

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

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

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

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

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

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

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

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

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

On behalf of the Board of Directors

Anas Rahman
Chief Executive

Karachi: September 12, 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended **June 30, 2014** prepared by the Board of Directors of **Feroze1888 Mill**s **Limited** ("the Company") to comply with the Listing Regulation No.35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code as applicable for the year ended June 30, 2014.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement partner: Muhammad Rafiq Dosani

Karachi:

Date: September 12, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Feroze1888 Mills Limited** ("the Company") as at **June 30, 2014** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement partner: Muhammad Rafiq Dosani

Karachi:

Date: September 12, 2014

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**5,210,869**	4,545,236
Intangible assets	5	**10,283**	15,426
Long term investment		**10**	10
Long term deposits		**5,348**	5,300
		5,226,510	4,565,972
Current assets			
Stores and spares	6	**599,509**	373,799
Stock-in-trade	7	**3,133,460**	3,464,152
Trade debts - considered good	8	**2,630,993**	2,062,540
Advances, prepayments and other receivables	9	**787,999**	772,681
Taxation		**28,175**	32,374
Cash and bank balances	10	**233,902**	43,791
		7,414,038	6,749,337
		12,640,548	11,315,309
SHARE CAPITAL & RESERVES			
Authorised share capital			
400,000,000 (2013: 400,000,000) ordinary shares of Rs. 10 each		**4,000,000**	4,000,000
Issued, subscribed and paid-up capital	11	**3,768,009**	3,768,009
Capital reserve		**758,663**	758,663
Accumulated profit		**2,533,361**	1,138,038
		7,060,033	5,664,710
Surplus on revaluation	12	**1,080,662**	1,080,662
LIABILITIES			
Non-current liabilities			
Long term finance - secured	13	**472,093**	606,252
Current liabilities			
Trade and other payables	14	**2,682,767**	1,643,015
Accrued mark-up	15	**31,121**	61,846
Short term borrowings - secured	16	**1,177,725**	2,071,710
Current portion of long term finance	13	**136,147**	187,114
		4,027,760	3,963,685
Contingencies and commitments	17	**–**	–
		12,640,548	11,315,309

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in '000)	
Sales - net	18	**17,697,272**	13,484,144
Cost of sales	19	**(14,351,704)**	(10,917,659)
Gross profit		**3,345,568**	2,566,485
Administrative cost	20	**(549,925)**	(477,390)
Distribution cost	21	**(442,629)**	(387,507)
Other operating cost	22	**(129,792)**	(98,458)
		(1,122,346)	(963,355)
Operating profit		**2,223,222**	1,603,130
Finance cost	23	**(331,545)**	(217,046)
Profit before taxation		**1,891,677**	1,386,084
Taxation	24	**(194,205)**	(140,449)
Profit after taxation		**1,697,472**	1,245,635
		(Rupees)	
Earnings per share			
- Basic and diluted	25	4.50	3.31

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in '000)	
Profit for the year	**1,697,472**	1,245,635
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**1,697,472**	1,245,635

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,891,677**	1,386,084
Adjustments for non cash charges and other items:			
Depreciation		**354,113**	339,960
Amortization		**18,016**	17,645
Finance cost		**331,545**	217,046
Workers' fund		**114,466**	84,306
Loss on disposal of property, plant and equipment		**727**	178
Operating profit before working capital changes		**818,867**	659,135
		2,710,544	2,045,219
Changes in working Capital		**632,665**	(1,436,988)
Cash generated from operating activities	28	**3,343,209**	608,231
Finance cost paid		**(362,270)**	(273,124)
Workers' fund paid		**(84,306)**	(54,435)
Income tax paid and deducted at source		**(190,006)**	(149,915)
Net cash generated from operating activities		**2,706,627**	130,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,059,995)**	(215,430)
Proceeds from sale of operating fixed assets		**26,648**	23,136
Long term deposits placed during the period		**(48)**	(40)
Net cash used in investing activities		**(1,033,395)**	(192,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(404,010)**	(200,059)
Repayment of long term finance		**(185,126)**	(173,510)
Net cash used in from financing activities		**(589,136)**	(373,569)
Net increase/(decrease) in cash and cash equivalents		**1,084,096**	(435,420)
Cash and cash equivalents at the beginning of the year		**(2,027,919)**	(1,592,499)
Cash and cash equivalents at the end of the year	29	**(943,823)**	(2,027,919)

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

ANAS RAHMAN	**SHEIKH ZAFAR AHMED**
CHIEF EXECUTIVE	DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Capital reserve	Accumulated profit	Total
	(Rupees in '000)			
Balance as at July 1, 2012	3,768,009	758,663	194,552	4,721,224
Total comprehensive income for the year ended June 30, 2013	–	–	1,245,635	1,245,635
Transactions with owners				
Final cash dividend for the year ended June 30, 2012				
- Final @ (i.e. Rs. 2.00 per share) for all shareholders except directors, their relatives and associates.	–	–	(524)	(524)
- Final @ (i.e. Rs. 0.50 per share) to directors, their relatives and associates.	–	–	(188,269)	(188,269)
Interim cash dividend				
- Interim @ (i.e. Rs. 1.50 per share) for all shareholders except directors, their relatives and associates.	–	–	(393)	(393)
- Interim @ (i.e. Rs. 0.30 per share) to directors, their relatives and associates.	–	–	(112,962)	(112,962)
	–	–	(302,149)	(302,149)
Balance as at June 30, 2013	3,768,009	758,663	1,138,038	5,664,710
Total comprehensive income for the year ended June 30, 2014	–	–	1,697,472	**1,697,472**
Transactions with owners				
Final cash dividend for the year ended June 30, 2013				
- Final @ (i.e. Rs. 1.50 per share) for all shareholders except directors, their relatives and associates.	–	–	(393)	**(393)**
- Final @ (i.e. Rs. 0.30 per share) to directors, their relatives and associates.	–	–	(112,962)	**(112,962)**
Interim cash dividend				
- Interim @ (i.e. Rs. 2.00 per share) for all shareholders except directors, their relatives and associates.	–	–	(524)	**(524)**
- Interim @ (i.e. Rs. 0.50 per share) to directors, their relatives and associates.	–	–	(188,269)	**(188,269)**
	–	–	(302,149)	**(302,149)**
Balance as at June 30, 2014	3,768,009	758,663	2,533,361	**7,060,033**

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. THE COMPANY AND ITS OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and the provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make the judgment, estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

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

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

		Note
a)	Useful lives and residual values of property, plant and equipment	3.7
b)	Taxation	3.3
c)	Staff retirement benefits	3.1
d)	Estimation for impairment in respect of trade debts	3.11
e)	Provision for obsolete / slow moving stores and spares and stock-in-trade	3.9 & 3.10.

2.5 Amendments / interpretation to existing standard and forthcoming requirements

a) Standards, amendments or interpretations which became effective during the year

Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2013 and are relevant to the company:

- IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.

- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013 ,is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after January 1, 2013.

- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.

- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

b) New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.

- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

  - IFRS 10 'Consolidated Financial Statements"
  - IFRS 11 'Joint Arrangements'
  - IFRS 12 'Disclosure of interests in other entities'
  - IFRS 13 'Fair Value Measurement'

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

3.1.1 Defined contribution plans

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

3.1.2 Employees' compensation absences

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

3.2 Provisions

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

3.3 Taxation

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

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

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

Deferred
Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Currently, no deferred tax is recognised since Company's income is wholly chargeable to tax under the final tax regime of the Income Tax Ordinance, 2001.

3.4 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost.

3.5 Borrowings

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

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

3.6 Share capital

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

3.7 Property, plant and equipment

3.7.1 Owned

These are stated at historical cost less accumulated depreciation and impairment loss, if any, except for land that are shown at revalued amounts. Depreciation is charged to profit and loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 12 to the financial statements except for lease hold improvement which are depreciated on straight line basis over the period of 3 to 5 years. Depreciation on additions is charged from the month the asset is available for use upto the month preceding the month of disposal.

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

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

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

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

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

Repairs and maintenance are charged to income as and when incurred.

3.7.2 Capital work in progress

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

3.8 Intangible assets

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

3.9 Stores and spares

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

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

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

3.10 Stock-in-trade

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

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

By products [Waste products] are valued at net realisable value.

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

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

3.11 Trade and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company's activities as described below:

- **Sale of goods & services**
  Sales are recorded on dispatch of goods to the customer or on performance of services.

- **Interest / mark up income**
  Income on deposits and other operating income are recorded on accrual basis.

3.14 Borrowing costs

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

3.15 Foreign currency transactions and translation

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

3.16 Impairment of non-financial assets

Assets that are subject to depreciation / amortization are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.17 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and short term borrowings.

Financial assets

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

(a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

(b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss on the balance sheet date.

(c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

Financial liabilities

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

3.18 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to offset the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Transactions with related parties

Transactions with related parties are carried out on commercial terms and conditions.

3.20 Earnings per share

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

3.21 Dividend and appropriation to reserves

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

	Note	2014	2013
		-------(Rupees in '000)-------	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**4,602,152**	4,384,678
Capital work-in-progress	4.5	**582,312**	126,103
Lease hold improvements		**26,405**	34,455
		5,210,869	4,545,236

4.1 Operating fixed assets

	Lease hold land	Free hold land	Building on Leasehold Land	Building on Freehold Land	Plant & Machinery	Electric fittings	Office Equipment	Computers	Furniture and Fixtures	Vehicles	Arms and Ammunitions	Sub Total
						Rupees in '000'						
As at July 01, 2012												
Cost	1,086,975	308,038	556,140	148,250	4,690,243	192,059	18,797	55,198	36,121	157,081	42	7,248,944
Accumulated depreciation	-	-	(333,707)	(57,699)	(2,028,048)	(84,398)	(8,530)	(34,609)	(18,997)	(68,085)	(28)	(2,634,101)
Net book value	1,086,975	308,038	222,433	90,551	2,662,195	107,661	10,267	20,589	17,124	88,996	14	4,614,843
Year ended June 30, 2013												
Opening net book value	1,086,975	308,038	222,433	90,551	2,662,195	107,661	10,267	20,589	17,124	88,996	14	4,614,843
Additions / transfers during the year	–	–	702	–	87,650	1,829	2,086	5,113	7	35,597	–	132,984
Surplus on revaluation	–	–	–	–	–	–	–	–	–	–	–	-
Disposals / transfers												
Cost	–	–	–	–	(53,837)		–	–	–	(7,880)	–	(61,717)
Accumulated depreciation	–	–	–	–	34,371		–	–	–	4,156	–	38,527
Net book value	–	–	–	–	(19,466)	–	–	–	–	(3,724)	–	(23,190)
Depreciation for the year	–	–	(22,249)	(9,055)	(267,992)	(10,806)	(1,608)	(6,449)	(1,713)	(20,086)	(2)	(339,960)
Closing net book value	1,086,975	308,038	200,886	81,496	2,462,387	98,684	10,745	19,253	15,418	100,783	12	4,384,677
As at July 1, 2013												
Cost	1,086,975	308,038	556,842	148,250	4,724,056	193,888	20,883	60,311	36,128	184,798	42	7,320,211
Accumulated depreciation	–	–	(355,956)	(66,754)	(2,261,669)	(95,204)	(10,138)	(41,058)	(20,710)	(84,015)	(30)	(2,935,534)
Net book value	1,086,975	308,038	200,886	81,496	2,462,387	98,684	10,745	19,253	15,418	100,783	12	4,384,677
Year ended June 30, 2014												
Opening net book value	1,086,975	308,038	200,886	81,496	2,462,387	98,684	10,745	19,253	15,418	100,783	12	4,384,677
Additions / transfers during the year	–	–	49,342	–	493,555	6,658	15,814	6,810	215	26,570	–	598,963
Surplus on Revaluation	–	–	–	–	–	–	–	–	–	–	–	–
Disposals / transfers												
Cost	–	–	–	–	(78,657)	–	–	–	–	(10,091)	–	(88,747)
Accumulated depreciation	–	–	–	–	54,668	–	–	–	–	6,704	–	61,372
Net book value	–	–	–	–	(23,989)	–	–	–	–	(3,387)	–	(27,375)
Depreciation for the year	–	–	(23,702)	(8,150)	(277,837)	(10,249)	(3,077)	(6,978)	(1,551)	(22,569)	(2)	(354,113)
Closing net book value	**1,086,975**	**308,038**	**226,526**	**73,346**	**2,654,116**	**95,093**	**23,482**	**19,085**	**14,082**	**101,398**	**10**	**4,602,152**
As at June 30, 2014												
Cost	1,086,975	308,038	606,184	148,250	5,138,954	200,546	36,697	67,121	36,343	201,278	42	7,830,427
Accumulated depreciation	–	–	(379,658)	(74,904)	(2,484,838)	(105,453)	(13,215)	(48,036)	(22,261)	(99,880)	(32)	(3,228,275)
Net book value	**1,086,975**	**308,038**	**226,526**	**73,346**	**2,654,116**	**95,093**	**23,482**	**19,085**	**14,082**	**101,398**	**10**	**4,602,152**
Annual rates of depreciation	**–**	**0%**	**10%**	**10%**	**10%**	**10%**	**15%**	**30%**	**10%**	**20%**	**15%**	

	2014	2013
	(Rupees in '000)	
4.2 Depreciation charge for the year has been allocated as under:-		
Cost of sales	331,647	319,875
Administrative cost	22,466	20,085
	354,113	339,960

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (loss)	Mode of Disposal	Particular of buyers
	Rupees in '000						
Twisting Machine Volkman 144 Spindles	1,872	1,422	450	470	20	Negotiation	Liberty Mills Ltd
Doubling Machine Mattler - 60 Spindles	1,542	1,262	280	292	12	Negotiation	Liberty Mills Ltd
Carding Machine Crosrol Card MK-4 M6213	6,455	5,976	479	700	221	Negotiation	Noor Industries
Carding Machine Crosrol Card MK-4 M6213	8,153	7,548	605	700	95	Negotiation	Noorani Spinning Industries
Carding Machine Crosrol Card MK-4 M6213	7,991	7,421	570	700	130	Negotiation	Noor Textile Mills
Stitching Machine Lock Stitch Hemming Texpa	5,241	1,208	4,033	3,900	(133)	Negotiation	Mr. Ahmed Qaiser
Stitching Machine Lock Stitch Hemming Texpa	5,241	1,208	4,033	3,900	(133)	Negotiation	Mr. Fazal Wahid
Stitching Machine Lock Stitch Hemming Texpa	5,241	1,208	4,033	3,420	(613)	Negotiation	Muhammad Sohrab
Weaving Machine Sulzer G-6100 # 5	3,635	2,378	1,258	1,125	(133)	Negotiation	S.S. Towels
Weaving Machine Sulzer G-6100 # 7	3,635	2,378	1,258	1,125	(133)	Negotiation	S.S. Towels
Weaving Machine Sulzer G-6100 # 9	3,635	2,378	1,258	1,125	(133)	Negotiation	S.S. Towels
Weaving Machine Sulzer G-6100 # 11	3,635	2,378	1,258	1,125	(133)	Negotiation	S.S. Towels
Juki Sewing Machine	1,012	324	688	275	(413)	Negotiation	Mr. Syed Yasin Ali
Juki Sewing Machine	365	254	111	113	3	Negotiation	Mr. Syed Yasin Ali
Over Lock Machine-Pegasus	607	423	184	76	(109)	Negotiation	Mr. Syed Yasin Ali
1 Needle DDL 8500 Stitch Machine	381	227	155	11	(144)	Negotiation	Mr. Syed Yasin Ali
Gas Generator Waukesha-7042G	1,169	789	380	375	(5)	Negotiation	Mr. Akhlaq (Smart Power)
Diesel Generator Hino DK-10	522	403	119	120	1	Negotiation	Mr. Akhlaq (Smart Power)
Gas Generator Waukesha 635 KW	18,269	15,442	2,826	–	(2,826)	Retired not being used	
	78,601	54,626	23,975	19,552	(4,424)		
Suzuki Mehran	372	250	121	259	138	Negotiation	Mrs. Noureen Naveed
Suzuki Mehran	345	268	77	210	133	Negotiation	Mr. Jawed Hashim Meekhani
Suzuki Cultus	612	421	191	455	264	Negotiation	C/o. Margalla Motors (Abdul Shakoor)
Suzuki Cultus	612	428	184	438	253	Negotiation	Mr. Usairullah Qureshi
Honda Civic	1,691	1,270	421	910	489	Negotiation	Mr. Noor Nabi S/o Mr. Ghulam Nabi
Suzuki Cultus	626	436	190	462	272	Negotiation	Mr. Syed Ikram Mohiuddin
Suzuki Cultus	790	445	345	800	455	Insurance Claim	EFU General Insraunce Ltd
Suzuki Ravi Pickup	392	276	115	291	175	Negotiation	Mr. Mehtab Khatak
Suzuki Mehran	371	270	101	263	162	Negotiation	Mr. Farhan Maqsood
Honda City	1,043	805	238	570	332	Negotiation	Mr. Saeed S/o. Abdul Sattar
Suzuki Mehran	382	268	114	259	145	Negotiation	Mr. Muhammad Ashraf Siddiqui
Suzuki Mehran	348	260	88	224	136	Negotiation	Mr. Asif Siddiqe S/o. Muhammad Siddiqe
Suzuki Mehran	481	324	157	287	130	Negotiation	Mr. Uzairullah Qureshi S/o. Khuldullah Qureshi
Suzuki Mehran	704	106	598	684	86	Insurance Claim	EFU General Insraunce Ltd
Suzuki Mehran	524	291	233	529	296	Insurance Claim	EFU General Insraunce Ltd
Suzuki Cultus	799	585	214	448	234	Negotiation	Textile Machinery Co. (Pvt) Ltd
	10,091	6,704	3,387	7,088	3,701		
	88,692	**61,330**	**27,362**	**26,639**	**(722)**		

4.4 Had there been no revaluation, the related figures of land as at 30 June would have been at Rs 314,351,000/-(2013: 314,351,000)

	2014	2013
	-------(Rupees in '000)-------	

4.5 Capital work-in-progress

	2014	2013
Opening as at July 1	**126,103**	44,230
Additions during the year		
- Machines under installation	**870,876**	127,342
- Building under construction	**86,457**	8,850
- Others	**10,207**	5,827
	967,540	142,019
Transferred to operating fixed assets	**(502,510)**	(60,146)
Transferred/adjustment to expense	**(8,821)**	–
Closing balance	**582,312**	126,103

5 INTANGIBLE ASSETS

	2014	2013
Software		
Cost		
Opening as at July 1	**30,308**	30,308
Additions during the year	**–**	–
Closing balance	**30,308**	30,308
Accumulated amortization		
Opening as at July 1	**(14,882)**	(9,616)
Charge for the year	**(5,143)**	(5,266)
Closing balance	**(20,025)**	(14,882)
Net book value as at June 30	**10,283**	15,426

6 STORES AND SPARES

	2014	2013
General stores	**237,899**	140,085
Chemicals	**297,001**	150,165
Packing stores	**88,537**	107,477
	623,437	397,727
Less: Provision for slow moving	**(23,928)**	(23,928)
	599,509	373,799

7 STOCK-IN-TRADE

	2014	2013
Raw material	**1,428,291**	1,595,129
Work-in-process	**1,064,591**	1,100,317
Finished goods	**640,578**	768,706
	3,133,460	3,464,152

8 TRADE DEBTS - CONSIDERED GOOD

	2014	2013
Export	**2,624,673**	2,056,567
Local	**6,320**	5,973
	2,630,993	2,062,540

	Note	2014	2013
		(Rupees in '000)	

9 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Advances - considered good			
- Suppliers	9.1	**131,238**	258,251
- Employees		**1,527**	211
		132,765	258,462
Short term prepayments		**10,974**	402
Sales tax refundable		**246,203**	152,699
Export rebate		**213,174**	138,659
Duty drawback		**133,870**	148,212
Special excise duty		**5,737**	6,981
Research and development support		**3,070**	3,070
Security deposit	9.2	**1,819**	26,244
Markup receivable		**36,835**	29,821
Others		**3,552**	8,131
		787,999	772,681

9.1 Advance to suppliers includes an amount of Rs. 0.60 million (2013: Nil) paid to a related party.

9.2 Security deposit includes an amount of Rs. 0.71 million (2013: Rs. 18.155 million) paid to a related party.

10 CASH AND BANK BALANCES

	2014	2013
Cash in hand	**1,304**	1,048
Cash at bank - current accounts	**232,598**	42,743
	233,902	43,791

11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in '000)	
116,728,612	116,728,612	Ordinary shares fully paid in cash	**1,167,286**	1,167,286
859,020	859,020	Ordinary shares issued as bonus shares	**8,590**	8,590
259,213,336	259,213,336	Ordinary shares fully paid in cash issued against consideration other than cash	**2,592,133**	2,592,133
376,800,968	376,800,968		**3,768,009**	3,768,009

12 SURPLUS ON REVALUATION

	2014	2013
Balance as at July 1	**1,080,662**	1,080,662
Surplus on revaluation during the year	**–**	–
	1,080,662	1,080,662

12.1 The Company performed revaluation by independent valuer M/s. Joseph Lobo (Private) Limited (an approved valuer from Pakistan Bank's Association) reports dated July 15, 2011 on the basis of present market value. Previously the revaluation was performed by M/s.Iqbal A.Nanji on October 29, 2008.This represents surplus on revaluation on land only.

	Note	2014	2013
		(Rupees in '000)	

13 LONG TERM FINANCE - SECURED

	Note	2014	2013
Long term finances	13.1	608,240	793,366
Current portion shown under current liabilities		(136,147)	(187,114)
		472,093	606,252

13.1 Long term finance from bank

					2014	2013
Habib Bank Limited	13.2	Term loan	9 half yearly	September 30, 2010	**11,835**	35,506
	13.3	Term loan	16 half yearly	December 3, 2011	**21,860**	25,836
	13.3	Term loan	16 half yearly	July 28, 2012	**32,624**	38,062
	13.3	Term loan	16 half yearly	July 28, 2012	**11,248**	13,124
	13.3	Term loan	16 half yearly	July 20, 2013	**165,450**	190,900
	13.3	Term loan	16 half yearly	July 20, 2013	**32,020**	36,940
Habib Metropolitan Bank Limited	13.3	Term loan	16 half yearly	December 16, 2010	**19,023**	19,436
	13.3	Term loan	16 half yearly	December 16, 2010	**24,325**	34,750
	13.3	Term loan	16 half yearly	May 19, 2012	**7,215**	8,529
	13.3	Term loan	16 half yearly	May 25, 2012	**13,405**	15,843
	13.3	Term loan	16 half yearly	August 9, 2012	**16,500**	19,250
	13.3	Term loan	16 half yearly	April 1. 2013	**36,561**	42,187
	13.3	Term loan	10 half yearly	January 6, 2013	**138,390**	177,930
	13.3	Term loan	10 half yearly	December 6, 2012	**8,400**	11,200
	13.3	Term loan	10 half yearly	July 29, 2013	**41,160**	51,450
	13.3	Term loan	10 half yearly	July 29, 2013	**28,224**	35,280
Standard Chartered Bank (Pakistan) Limited	13.2	Term loan	14 quarterly	10 Feburary 2011	–	37,143
					608,240	793,366
Less: Current portion shown under current liabilities					**(136,147)**	(187,114)
					472,093	606,252

13.2 These carry markup at the rate of 7%. The mark-up rates and repayment dates mentioned represents revised rates and dated agreed with the banks on restructuring of long term finance in the year 2009 (Refer note 17.1). These loans are secured by first charge over operating fixed assets and hypothecation of stock-in-trade and stores and spares.

13.3 These loans have been obtained in acquiring imported and local textile machinery. The rate of markup is 7.5% to 11.2%. These are secured against specific charge on the fixed assets and equitable mortgage over immovable properties.

	Note	2014	2013
		(Rupees in '000)	

14 TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors	14.1	**1,221,013**	1,029,363
Bills discounted		**1,152,695**	220,211
Accrued expenses		**150,240**	133,558
Workers' profits participation fund	14.2	**100,308**	73,519
Workers' welfare fund		**14,158**	10,787
Advance from customers		**22,910**	13,124
Payable to provident fund		**7,664**	11,098
Unclaimed dividend		**551**	102,412
Others		**13,228**	48,943
		2,682,767	1,643,015

14.1 This include an amount of Rs. 27.18 million (2013: 115.45 million) payable to related parties.

14.2 Workers' profits participation fund (WPPF)

	2014	2013
Opening balance	**73,519**	34,295
Interest on WPPF	**181**	274
Contribution for the year	**100,308**	73,519
	174,008	108,088
Less: Payment during the year	**(73,700)**	(34,569)
Closing balance	**100,308**	73,519

15 ACCRUED MARK-UP

	2014	2013
Long term finance	**18,681**	22,085
Short term borrowings - secured	**12,440**	39,761
	31,121	61,846

16 SHORT TERM BORROWINGS - secured

	2014	2013
Export re-finance	**620,000**	1,930,000
Foreign currency loan	**460,047**	—
Running / short term finances	**97,678**	141,710
	1,177,725	2,071,710

These balances represent short term working capital finance facilities and export re-finance facility of Rs. 4,790 million (2013: Rs. 2,072 million) which was secured by pari passu ranking hypothecation charge over stores and spares, cotton yarn, finished goods and export bills under collection and trade debts amounting to Rs. 6,594 million (2013: Rs. 6,308 million) of the Company. The rate of mark-up for running / short term finance is 3 months KIBOR + 0.5% to 1.5% per annum (2013: 3 months KIBOR + 0.5% to 2.5% per annum). The rate of mark-up for export re-finance is SBP rate + half to full spread per annum (2013: SBP rate + full spread per annum).

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

In terms of renegotiated restructuring package approved by banks (refer note 13) the markup amounting to Rs. 30.460 million for the period of 18 months from December 2007 to June 2009 was not charged by the banks on long term finance and to be waived if the Company fulfills its obligation as per agreed repayment schedule. The Company has not made any provision in this respect as it continues to fulfill its obligations under the aforesaid renegotiated restructuring package and in anticipation that it shall continue to settle the same as per the revised repayment schedules.

17.2 Commitments

Guarantees aggregating to Rs. 226.47 million (2013: Rs. 188.91 million) issued by various commercial banks in respect financial obligation of the Company to various instituions.

		Note	2014	2013
			(Rupees in '000)	
17.3	- Letters of credit		**210,984**	147,507
	- Capital expenditure		**92,643**	27,255

18 SALES - net

	Note	2014	2013
Local		**386,485**	275,564
Export		**17,965,398**	13,775,418
Export rebate		**267,141**	175,371
		18,619,024	14,226,353
Sales tax		**(11,857)**	(6,105)
Marketing fee and others		**(909,895)**	(736,104)
		(921,752)	(742,209)
		17,697,272	13,484,144

19 COST OF SALES

	Note	2014	2013
Opening stock of finished goods		**768,706**	583,224
Cost of goods manufactured	19.1	**14,223,576**	11,103,141
		14,992,282	11,686,365
Closing stock of finished goods		**(640,578)**	(768,706)
		14,351,704	10,917,659

	Note	2014	2013
		(Rupees in '000)	

19.1 Cost of goods manufactured

	Note	2014	2013
Raw material consumed	19.1.1	**8,563,437**	6,889,383
Stores consumed		**1,992,973**	1,598,799
Salaries, wages and other benefits	19.1.2	**604,215**	586,110
Fuel, power and water		**864,671**	729,036
Outside manufacturing charges		**991,486**	650,219
Contractor charges		**535,369**	444,382
Insurance expense		**31,251**	18,950
Repair and maintenance		**70,561**	61,312
Vehicle running expenses		**8,393**	5,916
Communication and transportation		**41,554**	36,702
Rent Expenses		**91,567**	72,725
Other manufacturing expenses		**47,853**	50,012
Amortization of leasehold land improvements		**12,873**	12,502
Depreciation		**331,647**	319,875
		14,187,850	11,475,923
Opening work-in-process		**1,100,317**	727,535
Closing work-in-process		**(1,064,591)**	(1,100,317)
		14,223,576	11,103,141

19.1.1 Raw material consumed

	2014	2013
Opening stock	**1,595,129**	1,453,541
Purchases during the year	**8,396,599**	7,030,971
	9,991,728	8,484,512
Closing stock	**(1,428,291)**	(1,595,129)
	8,563,437	6,889,383

19.1.2 This include amount of Rs. 43.15 million (2013: Rs. 35.2 million) in respect of staff retirement benefits.

20 ADMINISTRATIVE COST

	Note	2014	2013
Salaries, wages and benefits	20.1	**368,932**	309,559
Repairs and maintenance		**30,421**	23,262
Rent, rates and taxes		**4,231**	2,745
Vehicle running expenses		**18,993**	19,246
Conveyance and traveling		**5,179**	4,835
Utilities		**18,592**	14,789
Printing and stationery		**776**	486
Postage, telegram and telephone		**15,732**	13,609
Legal and professional		**5,442**	7,838
Fees and subscriptions		**3,077**	18,209
Amortization		**5,143**	5,143
Depreciation		**22,466**	20,085
Miscellaneous expenses		**50,941**	37,584
		549,925	477,390

20.1 This includes amount of Rs. 20.84 million (2013: 17.93 million) in respect of staff retirement benefits.

21 DISTRIBUTION COST

	2014	2013
Freight and insurance	**247,297**	230,987
Inspection and forwarding charges	**128,325**	107,531
Showroom and exhibitions	**7,980**	9,404
Export development surcharge	**44,969**	32,483
Market research	**14,058**	7,102
	442,629	387,507

	Note	2014	2013
		(Rupees in '000)	

22 OTHER OPERATING COST

	Note	2014	2013
Loss on disposal of property, plant and equipment		**727**	178
Auditors' remuneration	22.1	**1,100**	1,100
Workers' profit participation fund		**100,308**	73,519
Workers' welfare fund		**14,158**	10,787
Donations	22.2	**13,499**	12,874
		129,792	98,458

22.1 Auditors' remuneration

	2014	2013
Audit fee	**800**	800
Half yearly review and special audit	**200**	200
Other certification	**100**	100
	1,100	1,100

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

23 FINANCE COST

	2014	2013
Mark-up on		
- Long term finance	**65,372**	81,412
- Short term borrowings	**150,965**	164,205
- Workers' profit participation fund	**181**	274
	216,518	245,891
Bank charges	**42,793**	40,142
Discounting charges	**11,336**	5,248
Exchange loss/(gain)	**60,898**	(74,235)
	331,545	217,046

24 TAXATION

	Note	2014	2013
Current	24.1	**194,205**	140,449
Prior year		**—**	—
		194,205	140,449

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

25 EARNINGS PER SHARE - BASIC AND DILUTED

	2014	2013
	(Rupees in '000)	
Profit after taxation	**1,697,472**	1,245,635
	(Number)	
Weighted average number of ordinary shares	**376,800,968**	376,800,968
	(Rupees)	
Earnings per share-basic	**4.50**	3.31

25.2 Earnings per share-diluted

There is no dilution effect on the shares of the company(2013:Nil).

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulers	2014 Chief Executive	Directors	Executives	Total	2013 Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Meeting fees	–	130	–	130	–	10	–	10
Managerial Remuneration	10,862	8,400	202,916	222,178	9,755	8,384	152,419	170,558
Bonus	743	272	12,800	13,815	1,703	2,150	10,437	14,290
Retirement benefits	696	560	11,727	12,983	650	233	12,231	13,114
	12,301	9,362	227,443	249,106	12,108	10,777	175,087	197,972
No of persons	1	1	119	121	1	1	92	94

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

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

	Note	2014	2013
		(Rupees in '000)	
27 PROVIDENT FUND DISCLOSURES			
Size of the fund		**360,173**	307,649
Cost of investment made		**311,302**	265,017
Percentage of investment made		**86.4%**	86.1%
Fair value of investment		**314,457**	265,039

Break up of investment - at fair value	2014 Rs. in 000's	2014 %	2013 Rs. in 000's	2013 %
- Shares in listed Companies	**55,277**	17.5	3,941	1.5
- Mutual fund	**29,238**	9.3	11,098	4.2
Investment in fixed deposits	**229,942**	73.1	250,000	94.3
	314,457		265,039	

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

28 Working capital changes

	2014	2013
(Increase) / decrease in current assets		
Stores and spares	**(225,710)**	(39,444)
Stock-in-trade	**330,692**	(694,631)
Trade debts - considered good	**(568,453)**	(605,360)
Advances, prepayments and other receivables	**(15,318)**	(322,422)
	(478,789)	(1,661,857)
Increase / (decrease) in current liabilities		
Trade and other payables	**1,111,454**	170,434
	632,665	(1,491,423)

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	2014	2013
Cash and bank balances	**233,902**	43,791
Short term borrowings - secured	**(1,177,725)**	(2,071,710)
	(943,823)	(2,027,919)

30 TRANSACTIONS WITH RELATED PARTIES

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

		2014	2013
		(Rupees in '000)	
Nature of transactions	**Relationship**		
Sales of goods	Associate	**1,097,924**	1,206,185
Purchases	Associate	**358,805**	217,647
Manufacturing and other expenses	Associate	**928,183**	718,486
Balances			
Payable	Associate	**25,515**	115,446

31 PRODUCTION CAPACITY IN METRES

Towel	**Looms**	**Capacity**	**Actual**
2014	**281**	**93,142,493**	**77,147,966**
2013	276	**92,380,611**	75,085,230

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

32 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

32.1 Credit risk

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

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

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

	2014	2013
	(Rupees in '000)	
Long term investment	**10**	10
Long term deposits	**5,348**	5,300
Trade debts	**2,630,993**	2,062,540
Advances, prepayments and other receivables	**787,999**	772,681
Bank balances	**232,598**	42,742
	3,656,948	2,883,273

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

	2014	2013
Domestic	**6,320**	5,973
United States	**2,404,117**	1,936,720
Gulf states	**4,079**	8,679
European countries	**169,364**	99,674
Other regions	**47,112**	11,494
	2,630,992	2,062,540

Impairment losses

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

	2014	2013
Not past due	**1,897,113**	1,681,854
Past due 1-60 days	**638,252**	373,671
Past due 61 days -90 days	**83,582**	322
More than 90 days	**12,046**	6,693
	2,630,993	2,062,540

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

On the reporting date, the Company has cash and bank balances and unutilised credit lines of Rs. 233.9 million (2013: Rs. 43.8 million) and Rs. 5,534 million (2013: Rs. 3,910 million).

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

	2014				
	Carrying amount	**Contractual cash flows**	**Twelve months or less**	**Two to five years**	**More than five years**
			(Rupees in '000)		
Non-derivates Financial Libilities					
Long term financing including accrued mark - up	**626,921**	**(751,278)**	**186,865**	**492,890**	**71,523**
Short term borrowings including accrued mark - up	**1,190,165**	**(1,190,165)**	**1,190,165**	**-**	**-**
Trade and other payables	**2,686,767**	**(2,682,767)**	**2,682,767**	**-**	**-**
	4,499,853	**(4,624,210)**	**4,059,797**	**492,890**	**71,523**

	2013				
	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years	More than five years
			(Rupees in '000)		
Non-derivates Financial Libilities					
Long term financing including accrued mark - up	793,366	(797,909)	191,657	291,229	315,023
Short term borrowings including accrued mark - up	2,111,471	(2,111,471)	2,111,471	-	-
Trade and other payables	1,643,015	(1,643,015)	1,643,015	-	-
	4,547,852	(4,552,395)	3,946,143	291,229	315,023

32.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

32.3.1 Currency risk

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

Exposure to currency risk

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

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

	2014			2013		
	USD	**Euro**	**Total**	USD	Euro	Total
	Rupees in 000's					
Trade debts	**2,624,673**	**–**	**2,624,673**	2,056,567	–	2,056,567
Bills discointed	**(1,152,695)**	**–**	**(1,152,695)**	(220,211)	–	(220,211)
Short term borrowing	**(416,587)**	**(35,379)**	**(451,966)**	–	–	–
Trade paybble	**(25,515)**	**–**	**(25,515)**	(115,446)	–	(115,446)
Gross balance sheet exposure	**1,029,876**	**(35,379)**	**994,497**	1,720,910	–	1,720,910
Outsatanding letter of credit	**–**	**–**	**–**	–	–	–
	1,029,876	**(35,379)**	**994,497**	1,720,910	–	1,720,910

The following significant exchange rates have been applied:

2014 Euro to PKR				2013 Euro to PKR			
Reporting date rate		**Average rate**		Reporting date rate		Average rate	
buying 134.46	**selling 134.73**	**buying 139.66**	**selling 139.93**	buying 128.85	selling 129.11	buying 125.47	selling 125.73
2014 USD to PKR				2013 USD to PKR			
Reporting date rate		**Average rate**		Reporting date rate		Average rate	
buying 98.55	**selling 98.75**	**buying 102.7**	**selling 102.9**	buying 98.6	selling 98.8	buying 96.7	selling 96.9

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against USD and PKR against Euro at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	2014	2013
	--------(Rupees in '000)--------	
Effect on profit		
USD	**169,747**	181,023
Euro	**169,747**	—

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

32.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks . At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2014	2013
	--------(Rupees in '000)--------	
Financial liabilities		
Fixed rate instruments		
Long term finance	**608,240**	793,366
Variable rate instruments		
Short term borrowings	**1,177,725**	2,071,710

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Effect on profit and loss 100bp inrease	 100bp decrease
	(Rupees in '000)	
As at 30 June 2014		
Cash flow sensitivity-Variable rate instruments	**11,777**	**(11,777)**
As at 30 June 2013		
Cash flow sensitivity-Variable rate instruments	13,466	(13,466)

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

32.3.3 Fair value of financial instruments

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

33 OPERATING SEGMENTS

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

33.1 Revenue from export sales represents 96.55% (2013 : 96.8 %) of the total revenue of the Company.

33.2 All non-current assets of the Company at 30 June 2014 are located in Pakistan.

33.3 CAPITAL RISK MANAGEMENT

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

34 CORRESPONDING FIGURES

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

35 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 12, 2014 has proposed a cash dividend in respect of the year ended June 30, 2014 of Rs. 2.00 per share (2013: Rs 1.50 per share) amounting to Rs. 524,350 (2013: Rs. 393,263) for all shareholders of the Company except directors, their relatives and associates and Rs. 0.50 per share (2013: Rs 0.30 per share) amounting to Rs. 188,269,402 (2013: Rs. 112,961,641) for directors, their relatives and associates which aggregates Rs. 188,793,752 (2013: Rs. 113,354,904), for approval of the members at the Annual General Meeting to be held on October 28, 2014. These financial statements do not include the effect of this proposed cash dividend which will be accounted for in the financial statements for the year ending June 30, 2015.

36 NUMBER OF EMPLOYEES

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

	2014	2013
	-------- (Number)	---------
Total number of employees as at June 30	**2,787**	2,657
Average number of employees during the year	**2,678**	2,570

37 DATE OF AUTHORIZATION FOR ISSUE

Theses financial statements were authorised for issue on September 12, 2014 by the Board of Directors of the Company.

38 GENERAL

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

ANAS RAHMAN	**SHEIKH ZAFAR AHMED**
CHIEF EXECUTIVE	DIRECTOR

Feroze1888 Mills Limited

PROXY FORM

I/We, ______________________________

of ______________________________

being a member of **FEROZE1888 MILLS LIMITED** holding ______________

ordinary shares hereby appoint ______________________________

as per Share Register Folio No, ____________ and/or CDC Participant I.D. No. ____________

and Sub Account No. ____________ hereby appoint ______________________________

of ______________________________

another member of the Company, as my/our proxy to vote for me/us and my behalf at the **42nd Annual General Meeting** of the Company to be held at B-4/A, SITE, Karachi on Tuesday, October 28, 2014 at 11:00 a.m. and at any adjournement thereof.

Signed this ____________ day of ____________ 2014.

Please affix Rs. 5/- Revenue Stamp

Signed ______________________________

WITNESSES:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No. ______________________

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No. ______________________

Note :

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

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

(i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be stated on the form.
(ii) Attested copies of NIC or the passport of the beneficial owner(s) and the proxy shall be proved with the proxy form.
(iii) The proxy shall produce his/her NIC or original passport at the time of the meeting.
(iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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