



Feroze1888 Mills Limited

2015

ANNUAL REPORT

Excellent Execution Everytime



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COMPANY INFORMATION

Board Of Directors	:	Anas Rahman Jawed Yunus Tabba Jonathan R. Simon Khaleequr Rahman Pervez Saeed Perwez Ahmed Shabbir Ahmed Sheikh Zafar Ahmed	- Chief Executive - Chairman
Audit Committee	:	Jawed Yunus Tabba Pervez Saeed Perwez Ahmed	- Member - Chairman - Member
Human Resource & Remuneration Committee	:	Anas Rahman Jawed Yunus Tabba Khaleequr Rahman Shabbir Ahmed	
Company Secretary	:	Abdul Aleem, FCA	
Bankers	:	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-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi	
Website	:	http://www.feroze1888.com	



VISION STATEMENT

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

MISSION STATEMENT

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 43rd Annual General Meeting of the Members of the Company will be held at B-4/A, SITE, Karachi on Wednesday, October 28, 2015 at 12.00p.m. to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.
2. To consider and approve the final cash dividend of Rs. 2.5 per share (25%) to all shareholders except directors, their relatives and associates and Rs. 0.80 per share (8%) to directors, their relatives and associates as recommended by the Board of Directors. This is in addition to interim cash dividend of Rs. 2.5 per share (25%) to all shareholders except directors, their relatives and associates and Rs. 0.70 per share (7%) to directors, their relatives and associates already paid during the year making a total dividend of Rs. 5.0 per share (50%) to all shareholders except directors, their relatives and associates and Rs. 1.50 per share (15%) to directors, their relatives and associates as recommended by the Board of Directors.
3. To appoint auditors for the year ending June 30, 2016 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: October 02, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from Wednesday, October 21, 2015 to Wednesday, October 28, 2015 (both days inclusive). Transfers received at the office of Share Registrar at the close of business on Tuesday, October 20, 2015 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 17.50% withholding tax on dividend payment to non filers while filers of income tax returns will be liable to withholding tax @ 12.50%. Shareholders are advised to provide their NTN to Share Registrars of the 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.

Registered Office:

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

Share Registrar:

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



DIRECTORS' REPORT

Your directors are pleased to present the 43rd Annual Report together with the audited financial statements for the year ended June 30, 2015.

OPERATING AND FINANCIAL PERFORMANCE

The year has completed on positive footings with good and improved performance both operationally as well as financially with the blessings of Almighty Allah. Machineries added in capacity with the prime object of reducing imbalance and inefficiencies, reducing utility and maintenance requirement and produce value added material and finished items were not only fully utilized with no teething or other challenges but were planned and used most efficiently.

Satisfactory operational performance and better production levels had helped to achieve a better sales volume compared to last year, however, the sales value were substantially the same due to lower sales prices in view of low cotton prices. It is to be noted by members that improved operational as well as the financial performance is in spite of all the challenges like pressure on export selling prices due to low raw material cost, gas pressure issue and load shedding, undervalued Pak Rupee and volatility, increase in minimum wages, nonpayment of rebates and sales tax refunds by Government etc.

FUTURE OUTLOOK

Though under the Textile Policy 2014-2019 the Government plans to double the textile exports from US\$ 13 billion to US\$ 26 billion but does not seems serious as to achieve the same. The relevant example will be wide spread currency devaluation ranging from Europe, Africa, Latin America and Asia was witnessed whereas Pakistan on the contrary tried to maintain its currency against all calculations, demands and advice. It's high time to realize that to ensure competitiveness of textile industry in the region the Government has to take measures and have continued/consistent policy to keep Rupee value against the US\$ realistic and also to provide uninterrupted energy supply at competitive rates and liquidation of claims and refunds as per commitment and through automated process. In energy sector one may live with hopes that beyond 2017 the situation may improve but on the remaining two all

signs are negative and discouraging. Imposing of GIDC again and enhancing energy cost despite unprecedented low international fuel are not a prudent decision as are adding to cost further besides, increase in minimum wage for two consecutive years. The government must make on agenda to achieve the targets set in the Textile Policy and take such corrective actions without further delay to alleviate or at least ease out the problems faced by textile industry and make it competitive with regional players in terms of input costs, such as utility, timely refunds and fair exchange rate as highest priority.



As regards to the role of management to make Company more sustainable, acceptable to customer and prosperous each year, besides, balancing and modernization of plant, focus on key growth parameters like innovation and operational excellence some value addition is also undertaken whether in material or finished product. Low raw material prices and low interest cost are the very encouraging factors for the ensuing year. The management is determined to avail full benefits of these opportunities to have continued focus on quality, productivity, curbing cost and more attention to customers to improve competitiveness and resultantly meeting expectations of shareholders.

CORPORATE SOCIAL RESPONSIBILITY

While acknowledging the importance of corporate social responsibility (CSR) being a responsible Corporate Entity, the Company has continued commitment towards excellence in Health, Safety and Environment continued to receive 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. The continued initiatives included:

- conservation of natural resources
- reduction in wastages
- enhancement of recycling, improvement of energy efficiency and
- enhancement of environmental performance by reducing spills and releases

The Company also participated actively in CSR activities to improve corporate social image of the Company

DIVIDEND& SUBSEQUENT APPROPRIATION

	(Rupees in '000)	
	2015	2014
Accumulated profit brought forward	2,344,569	1,024,683
Profit after taxation for the year	2,325,626	1,697,472
Accumulated profit	4,670,195	2,722,155
Cash Dividend – Interim	(264,233)	(188,793)
Cash Dividend – Final	(301,886)	(188,793)
	(566,119)	(377,586)
Accumulated profit carried forward	4,104,076	2,344,569



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, 2015, 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, 2014 was Rs. 314.46 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, 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	3	Mr. Perwez Ahmed	4	Mr. Shabbir Ahmed	1
Sheikh Zafar Ahmed	4	Mr. Jawed Yunus Tabba	4	Mr. Jawed Yunus Tabba	1
Mr. Perwez Ahmed	3			Mr. Anas Rahman	1
Mr. Jonathan R. Simon	4				
Mr. Jawed Yunus Tabba	2				
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 auditor Messrs. Rahman Sarfaraz Rahim Iqbal Raifq, Chartered Accountants, retires and being eligible, has offered themselves for re-appointment.

As suggested by the Audit Committee, the Board recommended the appointment of Messrs. Rahman Sarfaraz Rahim Iqbal Raifq, Chartered Accountants as auditors of the Company for the year 2015-2016

ATTEN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2015 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 banks, customers, suppliers and other stakeholders for their continued support.

For and on behalf of the Board

Khaleequr Rahman
Chairman

Karachi: October 02, 2015



KEY OPERATING AND FINANCIAL DATA

Year Ended June 30,

	2015	2014	2013	2012	2011	2010
ASSETS EMPLOYED						
	(Rs. in million)					
Property, plant and equipment	5,775.61	5,210.87	4,547.77	4,705.28	4,520.23	3,944.41
Intangible assets	5.14	10.28	15.43	20.69	22.21	16.44
Investments, long term advances and deposits	5.73	5.36	5.31	5.27	4.51	4.51
Current assets	6,933.60	7,414.04	6,904.32	5,459.26	6,376.56	3,742.76
Assets classified as held for sale	-	-	-	-	0.79	5.09
Total Assets Employed	12,720.09	12,640.55	11,472.83	10,190.50	10,924.30	7,713.21
FINANCED BY						
Shareholders' equity	8,932.63	7,060.03	5,664.70	4,721.22	4,186.61	4,072.45
Long term liabilities	383.25	472.09	606.25	795.83	964.89	568.05
Current liabilities	2,323.55	4,027.76	4,121.21	3,592.79	5,204.74	2,504.64
Liabilities classified as held for sale	-	-	-	-	-	-
Total Funds Invested	11,639.43	11,559.88	10,392.16	9,109.84	10,356.24	7,145.14
VALUE ADDITION & ITS DISTRIBUTION						
Net Sales including sales tax	17,539,764	17,709,129	13,490,249	13,284,356	11,728,178	1,772,402
Bought in materials and services	11,722,564	12,830,424	9,303,758	10,724,543	9,087,206	1,311,627
Distribution cost	534,204	442,933	383,153	357,354	350,338	84,548
Administrative, financial and other charges	1,382,850	1,444,625	986,792	574,836	628,292	47,750
Government (including workers' fund & Income tax)	356,362	320,526	230,860	154,759	126,365	13,213
Employees	1,218,158	973,148	1,340,051	937,722	757,799	171,959
Retained in business	2,325,626	1,697,473	1,245,635	535,142	778,178	143,305
Total Distribution	17,539,764	17,709,129	13,490,249	13,284,356	11,728,178	1,772,402
KEY FINANCIAL RATIOS						
Gross profit	22.30%	18.90%	19.03%	14.30%	18.14%	18.26%
Net profit/(loss) (after tax to sales)	13.26%	9.59%	9.24%	4.03%	6.64%	7.02%
Debt equity ratio	5:95	7:93	11:89	14:86	19:81	34:66
Current ratio	2.98	1.84	1.68	1.52	1.23	6.90
Return on assets ratio	0.18	0.13	0.11	0.05	0.07	0.02
Return on equity ratio	0.34	0.25	0.20	0.10	0.17	0.11
Inventory turnover ratio - Times	4.70	4.68	3.88	4.00	3.94	1.30
Fixed assets turnover ratio - Times	3.03	3.39	2.95	2.79	2.59	0.45
Assets turnover ratio - Times	1.38	1.36	1.18	1.30	1.08	0.23
SHARES AND EARNINGS						
Break-up Value without revaluation	23.71	18.74	15.03	12.53	11.11	10.81
Break-up Value with revaluation	26.57	21.60	17.90	15.40	12.62	12.32
Earning per Share from continued operation	6.17	4.50	3.31	1.42	2.07	1.20
Earning per Share from discontinued operation	-	-	-	-	0.13	0.18
No. of Shares ('000)	376,801	376,801	376,801	376,801	376,801	376,801
Dividend paid	453,026	302,149	302,149	524	524	-



PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2015

No. of Shareholders		Shareholding			Total Shares held	
302	From	1	to	100	Share	9,040
132	From	101	to	500	Share	28,585
31	From	501	to	1,000	Share	23,884
30	From	1,001	to	5,000	Share	62,851
3	From	5,001	to	10,000	Share	24,803
2	From	10,001	to	15,000	Share	23,545
1	From	90,001	to	95,000	Share	93,072
1	From	5,533,001	to	5,533,500	Share	5,533,235
3	From	7,165,001	to	7,170,000	Share	21,495,693
5	From	8,455,001	to	8,460,000	Share	42,282,060
1	From	8,720,001	to	8,725,000	Share	8,723,114
1	From	9,215,001	to	9,220,000	Share	9,217,365
1	From	10,505,001	to	10,510,000	Share	10,508,546
1	From	10,740,001	to	10,745,000	Share	10,743,832
1	From	12,705,001	to	12,710,000	Share	12,708,049
1	From	13,055,001	to	13,060,000	Share	13,057,542
1	From	15,235,001	to	15,240,000	Share	15,237,407
1	From	19,895,001	to	19,900,000	Share	19,897,685
1	From	20,175,001	to	20,180,000	Share	20,178,352
1	From	21,150,001	to	21,155,000	Share	21,151,149
1	From	21,240,001	to	21,245,000	Share	21,242,223
1	From	64,045,001	to	64,050,000	Share	64,049,686
1	From	80,505,001	to	80,510,000	Share	80,509,250
523					376,800,968	



PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

Categories of shareholders	Number of shareholders	Share held	Percentage
Directors, Chief Executive Officer, their spouse and minor Children	11	176,313,187	46.79
NIT AND ICP	1	6	0.00
Institutions, Non-Banking Finance Institutions and others	1	65	0.00
Shareholding 10% or more	1	64,049,686	17.00
General public	509	136,438,024	36.21
	523	376,800,968	100.00



PATTERN OF SHAREHOLDING
ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)
AS AT JUNE 30, 2015

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		2	1,565
Non-Banking Finance Institutions		–	–
Insurance Companies, Modarabas and Mutual Funds		–	–
Shareholders holding 5% or more Voting Interest:			
Mr. Shabbir Ahmed		1	80,509,250
Sheikh Zafar Ahmed		1	19,897,685
Mr. Perwez Ahmed		1	21,242,223
Mr. Omair Rehman		1	21,151,149
M/s. 1888 Mills LLC (Foreign Company)		1	20,178,352
M/s. Grangeford Ltd (Foreign Company)		1	64,049,686



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	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 NBFIs 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, 2015.
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: October 02, 2015



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, 2015** prepared by the Board of Directors of **Feroze1888 Mills Limited** ("the Company") to comply with the Listing Regulation 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, 2015.

Karachi:

Date: October 02, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

Engagement partner: Muhammad Waseem



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Feroze1888 Mills Limited** ("the Company") as at **June 30, 2015** 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, 2015 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi:

Date: October 02, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Engagement partner: Muhammad Waseem



BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,775,615	5,210,869
Intangible assets	5	5,141	10,283
Long term investment		10	10
Long term deposits		5,720	5,348
		<u>5,786,486</u>	<u>5,226,510</u>
Current assets			
Stores and spares	6	445,146	599,509
Stock-in-trade	7	2,382,563	3,133,460
Trade debts - considered good	8	2,823,046	2,630,993
Advances, prepayments and other receivables	9	979,600	787,999
Taxation		—	28,175
Cash and bank balances	10	287,909	233,902
		<u>6,918,264</u>	<u>7,414,038</u>
		<u>12,704,750</u>	<u>12,640,548</u>
SHARE CAPITAL & RESERVES			
Authorised share capital			
400,000,000 (2014: 400,000,000) ordinary shares of Rs. 10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital			
Capital reserve	11	3,768,009	3,768,009
Accumulated profit		758,663	758,663
		<u>4,405,961</u>	<u>2,533,361</u>
		<u>8,932,633</u>	<u>7,060,033</u>
Surplus on revaluation	12	1,080,662	1,080,662
LIABILITIES			
Non-current liabilities			
Long term finance - secured	13	383,248	472,093
Current liabilities			
Trade and other payables	14	2,197,618	2,682,767
Accrued mark-up	15	14,575	31,121
Short term borrowings - secured	16	—	1,177,725
Current portion of long term finance	13	96,014	136,147
		<u>2,308,207</u>	<u>4,027,760</u>
Contingencies and commitments			
	17	—	—
		<u>12,704,750</u>	<u>12,640,548</u>

The annexed notes 1 to 37 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, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
Sales - net	18	17,533,227	17,697,272
Cost of sales	19	(13,622,707)	(14,351,704)
Gross profit		3,910,520	3,345,568
Administrative cost	20	(586,351)	(508,066)
Distribution cost	21	(585,688)	(484,488)
Other operating cost	22	(178,590)	(129,792)
		(1,350,629)	(1,122,346)
Operating profit		2,559,891	2,223,222
Finance cost	23	(32,278)	(331,545)
Profit before taxation		2,527,613	1,891,677
Taxation	24	(201,987)	(194,205)
Profit after taxation		2,325,626	1,697,472
----- (Rupees) -----			
Earnings per share			
- Basic and diluted	25	6.17	4.50

The annexed notes 1 to 37 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, 2015

	2015	2014
	----- (Rupees in '000) -----	
Profit for the year	2,325,626	1,697,472
Other comprehensive income for the year	—	—
Total comprehensive income for the year	<u>2,325,626</u>	<u>1,697,472</u>

The annexed notes 1 to 37 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, 2015

	Note	2015	2014
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,527,613	1,891,677
Adjustments for non cash charges and other items:			
Depreciation		399,799	354,113
Amortization		29,551	18,016
Finance cost		32,278	331,545
Workers' fund		147,992	114,466
Loss on disposal of property, plant and equipment		261	727
Operating profit before working capital changes		609,881	818,867
		3,137,494	2,710,544
Changes in working capital	28	(11,114)	632,665
Cash generated from operating activities		3,126,380	3,343,209
Finance cost paid		(48,824)	(362,270)
Workers' fund paid		(100,504)	(84,306)
Income tax paid and deducted at source		(173,812)	(190,006)
Net cash generated from operating activities		2,803,240	2,706,627
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,005,162)	(1,059,995)
Proceeds from sale of operating fixed assets		15,947	26,648
Long term deposits placed during the period		(372)	(48)
Net cash used in investing activities		(989,587)	(1,033,395)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(452,943)	(404,010)
Repayment of long term finance		(128,978)	(185,126)
Net cash used in from financing activities		(581,921)	(589,136)
Net increase in cash and cash equivalents		1,231,732	1,084,096
Cash and cash equivalents at the beginning of the year		(943,823)	(2,027,919)
Cash and cash equivalents at the end of the year	29	287,909	(943,823)

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Share capital	Capital reserve	Accumulated profit	Total
	(Rupees in '000)			
Balance as at July 1, 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 15% @ (i.e. Rs. 1.50 per share) for all shareholders except directors, their relatives and associates.	—	—	(393)	(393)
- Final 3% @ (i.e. Rs. 0.30 per share) to directors, their relatives and associates.	—	—	(112,962)	(112,962)
Interim cash dividend				
- Interim 20% @ (i.e. Rs. 2.00 per share) for all shareholders except directors, their relatives and associates.	—	—	(524)	(524)
- Interim 5% @ (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
Total comprehensive income for the year ended June 30, 2015	—	—	2,325,626	2,325,626
Transactions with owners				
Final cash dividend for the year ended June 30, 2014				
- Final 20% @ (i.e. Rs. 2.00 per share) for all shareholders except directors, their relatives and associates.	—	—	(524)	(524)
- Final 5% @ (i.e. Rs. 0.50 per share) to directors, their relatives and associates.	—	—	(188,269)	(188,269)
Interim cash dividend				
- Interim 25% @ (i.e. Rs. 2.50 per share) for all shareholders except directors, their relatives and associates.	—	—	(656)	(656)
- Interim 7% @ (i.e. Rs. 0.70 per share) to directors, their relatives and associates.	—	—	(263,577)	(263,577)
	—	—	(453,026)	(453,026)
Balance as at June 30, 2015	3,768,009	758,663	4,405,961	8,932,633

The annexed notes 1 to 37 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, 2015

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 Standards, amendments or interpretations which became effective during the year

During the period, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

- 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 the Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.



- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.
- Agriculture: Bearer Plants [Amendments 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, an entity 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. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [Amendments to IFRS 10 and IAS 28] (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Company's financial statements.



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' compensated 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 it 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 4.1 to the financial statements except for lease hold improvement which are depreciated on straight line basis over the period of 3 to 5 years. Depreciation on additions is charged 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 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 their 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 irrecoverable 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.
- **Markup refundable**
Markup Refundable under Export Refinance is recorded on receipts basis.

3.14 Borrowing costs

Borrowing costs 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 costs includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.



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.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances in the balance sheet.

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 shareholders 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	2015	2014
		----- (Rupees in '000) -----	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	5,214,541	4,602,152
Capital work-in-progress	4.5	535,596	582,312
Lease hold improvements		25,478	26,405
		<u>5,775,615</u>	<u>5,210,869</u>



4.1 Operating fixed assets

Particulars	Lease hold land	Free hold land	Building on leasehold land	Building on freehold land	Plant & machinery	Electric fittings / equipments	Office equipments	Computers	Furniture & fixture	Vehicles	Arms and ammunitions	Sub total
Rupees in '000'												
As at July 01, 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	26,569	-	598,963
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(78,657)	-	-	-	-	(10,090)	-	(88,747)
Accumulated depreciation	-	-	-	-	54,668	-	-	-	-	6,704	-	61,372
Net book value	-	-	-	-	(23,989)	-	-	-	-	(3,386)	-	(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 July 1, 2014												
Cost	1,086,975	308,038	606,184	148,250	5,138,954	200,546	36,697	67,121	36,343	201,277	42	7,830,427
Accumulated depreciation	-	-	(379,658)	(74,904)	(2,484,838)	(105,453)	(13,215)	(48,036)	(22,261)	(99,879)	(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
Year ended June 30, 2015												
Opening 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
Additions / transfers during the year	-	-	133,451	-	798,157	22,987	12,981	14,947	2,971	42,902	-	1,028,397
Disposals / transfers	-	-	-	-	(35,294)	-	-	-	-	(18,033)	-	(53,327)
Cost	-	-	-	-	23,617	-	-	-	-	13,502	-	37,119
Accumulated depreciation	-	-	-	-	(11,677)	-	-	-	-	(4,531)	-	(16,208)
Net book value	-	-	-	-	(32,154)	(9,236)	(4,397)	(7,970)	(1,549)	(24,311)	(1)	(399,798)
Depreciation for the year	-	-	(23,848)	(7,335)	(321,154)	(9,236)	(4,397)	(7,970)	(1,549)	(24,311)	(1)	(399,798)
Closing net book value	1,086,975	308,038	336,129	66,011	3,119,442	108,844	32,066	26,062	15,504	115,458	9	5,214,541
As at June 30, 2015												
Cost	1,086,975	308,038	739,635	148,250	5,901,817	223,533	49,678	82,068	39,314	226,146	42	8,805,497
Accumulated depreciation	-	-	(403,506)	(82,239)	(2,782,375)	(114,689)	(17,612)	(56,006)	(23,810)	(110,689)	(33)	(3,590,955)
Net book value	1,086,975	308,038	336,129	66,011	3,119,442	108,844	32,066	26,062	15,504	115,458	9	5,214,541
Annual rates of depreciation	0%	0%	10%	10%	10%	10%	15%	30%	10%	20%	15%	



Feroze1888 Mills Limited

2015

2014

----- (Rupees in '000) -----

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

Cost of sales

Administrative cost

374,491

331,647

25,307

22,466

399,798

354,113

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
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Plant and Machinery

Bando BD-1000 Hemming Longitudinal Machine	2,902	1,941	961	945	16	Insurance Claim	EFU General Insurance Limited
The Dyeing Machine 300 Kgs	1,460	1,106	354	90	264	Negotiation	Mr. Muhammad Aqeel
The Dyeing Machine 400 Kgs	1,460	1,106	354	100	254	Negotiation	Mr. Muhammad Aqeel
The Dyeing Machine 500 Kgs	2,367	1,989	378	110	268	Negotiation	Mr. Muhammad Aqeel
The Dyeing Machine 400 Kgs	2,367	1,989	378	100	278	Negotiation	Mr. Muhammad Aqeel
Murata Winding - 120 Spindles	3,302	2,585	718	570	148	Negotiation	Mr. Khurram Hanif
Sizing Machine West Point Slashers 162"	9,859	5,860	3,999	2,000	1,999	Negotiation	Mr. Muhammad Naeem (Faisalabad)
Sizing Machine West Point Slashers 162"	9,859	5,860	3,999	2,000	1,999	Negotiation	Mr. Muhammad Naeem (Faisalabad)
Electrical Fittings of Two Sizing Machine West Point	1,108	610	499	800	(301)	Negotiation	Mr. Muhammad Naeem (Faisalabad)
	34,684	23,045	11,640	6,715	4,925		

Motor Vehicles:

Suzuki Mehran ART-175 Model 2009	481	331	150	192	(42)	Negotiation	Friendship Dairies (Pvt) Ltd
Suzuki Mehran APN-571 Model 2007	612	463	148	368	(219)	Negotiation	Mr. Abdul Waheed
Mitsubishi Van CR-4177 Model 2006	1,377	1,185	192	490	(298)	Negotiation	Mr. Zaheer Alam S/o. Ghulam Nabi
Honda City AKU-103 Model 2006	898	782	117	560	(443)	Negotiation	Mr. Muhammad Junaidd Marfani
Toyota Coaster CS-4033 Model 2004	3,025	2,295	730	1,050	(320)	Negotiation	Mr. Tanveer Khan S/o. Yousof Khan
Honda Civic ARP-567 Model 2008	1,615	1,196	419	826	(407)	Negotiation	Ms. Najam-un-Nisa W/o. Muhammad Amin
Suzuki Mehran APS-675 Model 2007	360	289	71	196	(125)	Negotiation	Mr. Shehzad Khan S/o. Farhad Hussain
Suzuki Mehran ASC-376 Model 2009	504	358	146	273	(127)	Negotiation	Mr. Shaheen Pervaiz S/o. Muhammad Naseem Uddin
Suzuki Cultus APY-162 Model 2007	612	481	131	406	(275)	Negotiation	Mr. Imran Ahmed S/o. Abdullah
Suzuki Mehran AQT-332 Model 2008	397	279	118	231	(113)	Negotiation	Mr. Abdul Majeed S/o. Muhammad Hussain
Suzuki Bolan CT-1404 Model 2010	609	396	213	403	(190)	Negotiation	Mr. Muhammad Abid S/o. Shams Uddin
Toyota Corolla ALR-888 Model 2006	979	821	158	630	(472)	Negotiation	Mr. Syed Nadeem Iqbal Shamshee S/o. Syed Mazhar Fareed Shamsee
Suzuki Cultus ASK-214 Model 2009	788	553	235	455	(220)	Negotiation	Mr. Muhammad Farooq S/o. Hakeem-Ullah
Suzuki Mehran ASJ-771 Model 2009	497	353	144	277	(132)	Negotiation	Mr. Muhammad Yaqoob Shaikh S/o. Qalandar Shaikh
Suzuki Cultus ASK-210 Model 2009	788	558	230	455	(225)	Negotiation	Mr. Syed Ikram Mohiuddin S/o. Syed Mohiuddin
Toyota Corolla ASK-738 Model 2009	1,386	983	403	742	(339)	Negotiation	Mr. Syed Nadeem Iqbal Shamshee S/o. Syed Mazhar Fareed Shamsee
Suzuki Mehran ASY-274 Model 2010	504	349	155	280	(125)	Negotiation	Mr. Tanveer Rind S/o. Anwar Hussain Rind
Suzuki Mehran AQY-837 Model 2008	381	290	91	245	(154)	Negotiation	Mr. Muhammad Hanif S/o. Mr. Dawood
Honda Civic ATA-567 Model 2010	1,719	1,191	528	875	(347)	Negotiation	Ms. Kiran Tabassum W/o. Muhammad Saleem
Suzuki Mehran ASY-856 Model 2010	502	351	151	250	(99)	Negotiation	Mr. Abdul Majeed Farooqui S/o. Najam Uddin
	18,034	13,504	4,530	9,204	(4,672)		

Grand Total-2015

52,718	36,549	16,170	15,919	253
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Grand Total-2014

88,692	61,330	27,362	26,639	(722)
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- 4.4 Had there been no revaluation, the related figures of land as at 30 June would have been at Rs 314,351,000/- (2014: 314,351,000)

	2015	2014
	----- (Rupees in '000) -----	
4.5 Capital work-in-progress		
Opening as at July 1	582,312	126,103
Additions during the year		
- Machines under installation	668,984	870,876
- Building under construction	226,841	86,457
- Others	46,596	10,207
	942,421	894,085
Transferred to operating fixed assets	(962,149)	(502,510)
Transferred to leasehold improvements	(23,480)	—
Transferred/adjustment to expense	(3,508)	(8,821)
	(989,137)	(511,331)
Closing balance (including Advances)	535,596	582,312
5 INTANGIBLE ASSETS		
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	(20,025)	(14,882)
Charge for the year	(5,142)	(5,143)
Closing balance	(25,167)	(20,025)
Net book value as at June 30	5,141	10,283
6 STORES AND SPARES		
General stores	172,513	237,899
Chemicals	203,375	297,001
Packing stores	93,186	88,537
	469,074	623,437
Less: Provision for slow moving	(23,928)	(23,928)
	445,146	599,509
7 STOCK-IN-TRADE		
Raw material	1,229,094	1,428,291
Work-in-process	790,365	1,064,591
Finished goods	363,104	640,578
	2,382,563	3,133,460



		2015	2014
		----- (Rupees in '000) -----	
8	TRADE DEBTS - CONSIDERED GOOD		
	Export	2,817,978	2,624,673
	Local	5,068	6,320
		<u>2,823,046</u>	<u>2,630,993</u>
8.1	Trade debts includes an amount of Rs. 2.42 million (2014: Rs. NIL) receivable from a related party.		
9	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances - considered good		
	- Suppliers 9.1	270,060	131,238
	- Employees	1,032	1,527
		<u>271,092</u>	<u>132,765</u>
	Short term prepayments	6,442	10,974
	Sales tax refundable	271,143	246,203
	Export rebate	278,530	213,174
	Duty drawback	100,144	133,870
	Special excise duty	5,737	5,737
	Research and development support	3,070	3,070
	Security deposit 9.2	24,672	1,819
	Markup receivable	13,157	36,835
	Others	5,613	3,552
		<u>979,600</u>	<u>787,999</u>
9.1	Advance to suppliers includes an amount of Rs. 13.48 million (2014: Rs. 0.60) paid to a related party.		
9.2	Security deposit includes an amount of Rs. 24.67 million (2014: Rs. 0.71 million) paid to a related party.		
10	CASH AND BANK BALANCES		
	Cash in hand	2,230	1,304
	Cash at bank - current accounts	285,679	232,598
		<u>287,909</u>	<u>233,902</u>
11	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
	2015	2014	
	(Number of shares)		
	116,728,612	116,728,612	Ordinary shares fully paid in cash
	859,020	859,020	Ordinary shares issued as bonus shares
	<u>259,213,336</u>	<u>259,213,336</u>	Ordinary shares fully paid in cash issued
	<u>376,800,968</u>	<u>376,800,968</u>	against consideration other than cash
	2015	2014	
	(Rupees in '000)		
	1,167,286	1,167,286	
	8,590	8,590	
	<u>2,592,133</u>	<u>2,592,133</u>	
	<u>3,768,009</u>	<u>3,768,009</u>	



12 SURPLUS ON REVALUATION

The Company performed revaluation by independent valuer M/s. Joseph Lobo (Private) Limited (an approved valuer from Pakistan Bank's Association) reports dated 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	2015 ----- (Rupees in '000) -----	2014
13 LONG TERM FINANCE - SECURED			
Long term finances	13.1	479,262	608,240
Current portion shown under current liabilities		(96,014)	(136,147)
		383,248	472,093

13.1 Long term finance from bank

Habib Bank Limited	Term loan	9 half yearly	September 30, 2010	-	11,835
	13.2	Term loan	16 half yearly	December 3, 2011	17,884
	13.2	Term loan	16 half yearly	July 28, 2012	-
	13.2	Term loan	16 half yearly	July 28, 2012	-
	13.2	Term loan	16 half yearly	July 20, 2013	140,000
	13.2	Term loan	16 half yearly	July 20, 2013	27,100
Habib Metropolitan Bank Limited	13.2	Term loan	16 half yearly	December 16, 2010	11,660
	13.2	Term loan	16 half yearly	December 16, 2010	20,850
	13.2	Term loan	16 half yearly	May 19, 2012	5,901
	13.2	Term loan	16 half yearly	May 25, 2012	10,967
	13.2	Term loan	16 half yearly	August 9, 2012	13,750
	13.2	Term loan	16 half yearly	April 1, 2013	-
	13.2	Term loan	10 half yearly	January 6, 2013	98,850
	13.2	Term loan	10 half yearly	December 6, 2012	5,600
	13.2	Term loan	10 half yearly	July 29, 2013	-
	13.2	Term loan	10 half yearly	July 29, 2013	-
	13.2	Term loan	8 half yearly	January 29, 2015	18,300
	13.2	Term loan	8 half yearly	January 30, 2015	12,500
	13.2	Term loan	8 half yearly	January 29, 2015	20,800
	13.2	Term loan	8 half yearly	April 8, 2015	75,100
				479,262	608,240
Less: Current portion shown under current liabilities				(96,014)	(136,147)
				383,248	472,093

13.2 These loans have been obtained in acquiring imported and local textile machinery. The rate of markup is 6.5% to 10.25% (2014: 7.5% to 11.2%). These are secured against specific charge on the fixed assets and equitable mortgage over immovable properties.



	Note	2015	2014
		----- (Rupees in '000) -----	
14	TRADE AND OTHER PAYABLES		
Creditors	14.1	1,715,593	1,221,013
Bills discounted		–	1,152,695
Accrued expenses		248,843	150,240
Workers' profits participation fund	14.2	133,769	100,308
Workers' welfare fund		28,185	14,158
Advance from customers		41,859	22,910
Payable to provident fund		9,596	7,664
Unclaimed dividend		634	551
Others		19,139	13,228
		<u>2,197,618</u>	<u>2,682,767</u>
14.1	This include an amount of Rs. 2.3 million (2014: Rs. 27.52 million) payable to related parties.		
14.2	Workers' profits participation fund (WPPF)		
Opening balance		100,308	73,519
Interest on WPPF		196	181
Contribution for the year		133,769	100,308
		<u>234,273</u>	<u>174,008</u>
Less: Payment during the year		(100,504)	(73,700)
Closing balance		<u>133,769</u>	<u>100,308</u>
15	ACCRUED MARK-UP		
Long term finance		14,255	18,681
Short term borrowings - secured		320	12,440
		<u>14,575</u>	<u>31,121</u>
16	SHORT TERM BORROWINGS - secured		
Export re-finance		–	620,000
Foreign currency loan		–	460,047
Running/short term finances		–	97,678
		<u>–</u>	<u>1,177,725</u>

These balances represent short term working capital finance facilities and export re-finance facility of Rs. 4,690 million (2014: Rs. 4,790 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. 7,068 million (2014: Rs. 6,594 million) of the Company. The rate of mark-up for running /short term finance is 3 months KIBOR + 0.5% to 2% per annum (2014: 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 (2014: SBP rate + full spread per annum).



17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

No contingencies exist as at reporting date.

17.2 Commitments

Guarantees issued by commercial banks to Sui Southern Gas Company Limited on behalf of the Company amounting to Rs. 206.02 (2014: Rs. 175.07 million).

Guarantees issued by commercial bank to supplier and Central Excise Department on behalf of the Company amounting to Rs. 2.38 (2014: Rs. 1.55 million) and Rs. 56.85 (2014: Rs. 49.85 million) respectively.

	Note	2015	2014
		----- (Rupees in '000) -----	
17.3 - Letters of credit		<u>33,484</u>	<u>210,984</u>
- Capital expenditure		<u>106,490</u>	<u>92,643</u>
18 SALES - net			
Local		200,700	386,485
Export		18,107,107	17,965,398
Export rebate		<u>246,102</u>	<u>267,141</u>
		<u>18,553,909</u>	<u>18,619,024</u>
Less: Sales tax		<u>(6,577)</u>	<u>(11,857)</u>
Less: Marketing fee and others		<u>(1,014,105)</u>	<u>(909,895)</u>
		<u>(1,020,682)</u>	<u>(921,752)</u>
		<u>17,533,227</u>	<u>17,697,272</u>
19 COST OF SALES			
Opening stock of finished goods		640,578	768,706
Add: cost of goods manufactured	19.1	<u>13,345,233</u>	<u>14,223,576</u>
		<u>13,985,811</u>	<u>14,992,282</u>
Less: closing stock of finished goods		<u>(363,104)</u>	<u>(640,578)</u>
		<u>13,622,707</u>	<u>14,351,704</u>



	Note	2015	2014
		----- (Rupees in '000) -----	
19.1 Cost of goods manufactured			
Raw material consumed	19.1.1	7,494,536	8,954,021
Stores consumed		2,038,042	1,992,973
Salaries, wages and other benefits	19.1.2	1,747,891	1,740,486
Fuel, power and water		1,124,417	864,671
Insurance expense		29,263	31,251
Repair and maintenance		68,409	70,561
Vehicle running expenses		9,897	8,393
Communication and transportation		44,683	41,554
Rent Expenses		97,003	91,567
Other manufacturing expenses		17,967	47,853
Amortization of leasehold land improvements		24,408	12,873
Depreciation		374,491	331,647
		<u>13,071,007</u>	<u>14,187,850</u>
Opening work-in-process		1,064,591	1,100,317
Closing work-in-process		<u>(790,365)</u>	<u>(1,064,591)</u>
		<u>13,345,233</u>	<u>14,223,576</u>
19.1.1 Raw material consumed			
Opening stock		1,428,291	1,595,129
Purchases during the year		<u>7,295,339</u>	<u>8,787,183</u>
		<u>8,723,630</u>	<u>10,382,312</u>
Less: closing stock		<u>(1,229,094)</u>	<u>(1,428,291)</u>
		<u>7,494,536</u>	<u>8,954,021</u>
19.1.2	This includes amount of Rs. 63.42 million (2014: Rs. 43.15 million) in respect of staff retirement benefits.		
20 ADMINISTRATIVE COST			
Salaries, wages and benefits	20.1	384,969	327,073
Repairs and maintenance		16,075	30,421
Rent, rates and taxes		4,683	4,231
Vehicle running expenses		19,345	18,993
Conveyance and travelling		1,910	5,179
Utilities		23,003	18,592
Printing and stationery		634	776
Postage, telegram and telephone		17,486	15,732
Legal and professional		10,697	5,442
Fees and subscriptions		8,176	3,077
Amortization		5,143	5,143
Depreciation		25,307	22,466
Miscellaneous expenses		68,923	50,941
		<u>586,351</u>	<u>508,066</u>
20.1	This includes amount of Rs. 22.67 million (2014: Rs. 18.39 million) in respect of staff retirement benefits.		
21 DISTRIBUTION COST			
Salaries, wages and benefits	21.1	51,484	41,859
Freight and insurance		314,795	247,297
Inspection and forwarding charges		147,429	128,325
Showroom and exhibitions		19,719	7,980
Export development surcharge		41,892	44,969
Market research		10,369	14,058
		<u>585,688</u>	<u>484,488</u>
21.1	This includes amount of Rs. 2.81 (2014: Rs. 2.45 million) in respect of staff retirement benefits.		



	Note	2015	2014
22 OTHER OPERATING COST		----- (Rupees in '000) -----	
Loss on disposal of property, plant and equipment		261	727
Auditors' remuneration	22.1	1,100	1,100
Workers' profit participation fund		133,769	100,308
Workers' welfare fund		14,027	14,158
Donations	22.2	29,433	13,499
		<u>178,590</u>	<u>129,792</u>
22.1 Auditors' remuneration			
Audit fee		800	800
Half yearly review and special audit		200	200
Other certification		100	100
		<u>1,100</u>	<u>1,100</u>
22.2	None of the directors and their spouses had any interest in these donations.		
23 FINANCE COST			
Mark-up on			
- Long term finance		46,155	65,372
- Short term borrowings		7,867	150,965
- WPPF		196	181
		<u>54,218</u>	<u>216,518</u>
Bank charges		66,902	42,793
Discounting charges		12,183	11,336
Exchange (gain) / loss		(101,025)	60,898
		<u>32,278</u>	<u>331,545</u>
24 TAXATION			
Current		198,382	186,072
Prior year	24.1	3,605	8,133
		<u>201,987</u>	<u>194,205</u>
24.1	The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.		
24.2	The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 per cent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.		
24.3	The company has paid interim dividend amounting to Rs. 264.233 million at 11.4 percent of the profit after tax for the year. In terms of 5A in case it distributes cash dividend amounting to Rs. 666.017 million within six months of the close of the year it would not be liable to any tax under section 5A. The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above and liability if any in this respect would be recognized as December 31, 2015 depending upon the dividend distributed out of profit for the year ended 30 June 2015.		



25 EARNINGS PER SHARE - BASIC AND DILUTED

25.1 Earnings per share-basic

	(Rupees in '000)	
Profit after taxation	2,325,626	1,697,472
Weighted average number of ordinary shares	376,800,968	376,800,968
Earnings per share-basic	6.17	4.50

25.2 Earnings per share-diluted

There is no dilution effect on the shares of the company (2014:Nil).

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Meeting fees	-	120	-	120	-	130	-	130
Managerial								
Remuneration	12,062	8,400	259,083	279,545	10,862	8,400	202,916	222,178
Bonus	812	653	17,109	18,574	743	272	12,800	13,815
Retirement								
benefits	776	560	15,846	17,182	696	560	11,727	12,983
	13,650	9,733	292,038	315,421	12,301	9,362	227,443	249,106
No of persons	1	1	148	150	1	1	119	121

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	2015	2014
	(Rupees in '000)	

27 PROVIDENT FUND DISCLOSURES

Size of the fund	463,208	360,173
Cost of investment made	380,546	311,302
Percentage of investment made	82.2%	86.4%
Fair value of investment	387,562	314,457

Break up of investment - at fair value

	2015		2014	
	Rs. in 000's	%	Rs. in 000's	%
- Shares in listed Companies	72,087	18.6	55,277	17.6
- Mutual fund	14,640	3.8	29,238	9.3
- Investment in fixed deposit	82,569	21.3	229,942	73.1
- Sukuk & Ijara Certificates	218,267	56.3	-	-
	387,563		314,457	



- 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.

	Note	2015	2014
		----- (Rupees in '000) -----	
28 WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares		154,363	(225,710)
Stock-in-trade		750,897	330,692
Trade debts - considered good		(192,053)	(568,453)
Advances, prepayments and other receivables		(191,601)	(15,318)
		<u>521,606</u>	<u>(478,789)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		(532,720)	1,111,454
		<u>(11,114)</u>	<u>632,665</u>

29 CASH AND CASH EQUIVALENTS

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

Cash and bank balances	287,909	233,902
Short term borrowings - secured	-	(1,177,725)
	<u>287,909</u>	<u>(943,823)</u>

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:

Nature of transactions	Relationship		
Sales of goods	Associate	<u>1,353,751</u>	<u>1,097,924</u>
Purchases	Associate	<u>105,546</u>	<u>358,805</u>
Manufacturing and other expenses	Associate	<u>937,441</u>	<u>928,183</u>
Balances			
Receivable / (payable)	Associate	<u>13,600</u>	<u>(25,515)</u>



31 PRODUCTION CAPACITY IN METERS

Towel	Looms	Capacity	Actual
2015	298	106,673,278	97,680,567
2014	281	93,142,493	77,147,966

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:



	2015	2014
	----- (Rupees in '000) -----	
Long term investment	10	10
Long term deposits	5,720	5,348
Trade debts	2,823,046	2,630,993
Advances, prepayments and other receivables	708,508	655,234
Bank balances	285,679	232,598
	<u>3,822,963</u>	<u>3,524,183</u>

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

Domestic	5,068	6,320
United States	2,641,723	2,404,117
Gulf states	6,965	4,079
European countries	153,295	169,364
Other regions	15,995	47,112
	<u>2,823,046</u>	<u>2,630,992</u>

Impairment losses

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

Not past due	2,219,652	1,897,113
Past due 1-60 days	595,341	638,252
Past due 61 days -90 days	442	83,582
More than 90 days	7,611	12,046
	<u>2,823,046</u>	<u>2,630,993</u>

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

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

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

32.2 Liquidity risk

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



On the reporting date, the Company has cash and bank balances and unutilised credit lines of Rs. 287.9 million (2014:Rs. 233.9 million) and Rs. 4,690 million (2014: Rs. 5,534 million).

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

Non-derivates

Financial liabilities

Long term financing including accrued mark - up
Short term borrowings including accrued mark - up
Trade and other payables

Carrying amount	Contractual cash flows	2015		
		Twelve months or less (Rupees in '000)	Two to five years	More than five years
493,837	(590,132)	161,929	413,018	15,185
320	(320)	320	-	-
2,035,664	(2,035,664)	2,035,664	-	-
2,529,821	(2,626,116)	2,197,913	413,018	15,185

Non-derivates

Financial liabilities

Long term financing including accrued mark - up
Short term borrowings including accrued mark - up
Trade and other payables

Carrying amount	Contractual cash flows	2014		
		Twelve months or less (Rupees in '000)	Two to five years	More than five years
626,921	(751,278)	186,865	492,890	71,523
1,190,165	(1,190,165)	1,190,165	-	-
2,568,301	(2,568,301)	2,568,301	-	-
4,385,387	(4,509,744)	3,945,331	492,890	71,523

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:

	2015		2014	
	USD	Euro	USD	Euro
Trade debts	27,763	-	26,633	-
Bills discounted	-	-	(11,673)	-
Short term borrowing	-	-	(4,219)	(344)
Trade payable	(198)	(27)	(25)	-
	27,565	(27)	10,716	(344)



The following significant exchange rates have been applied:

2015 Euro to PKR				2014 Euro to PKR			
Reporting date rate		Average rate		Reporting date rate		Average rate	
buying 113.57	selling 113.79	buying 120.86	selling 121.1	buying 134.46	selling 134.73	buying 139.66	selling 139.93
2015 USD to PKR				2014 USD to PKR			
Reporting date rate		Average rate		Reporting date rate		Average rate	
buying 101.50	selling 101.70	buying 101.31	selling 101.51	buying 98.55	selling 98.75	buying 102.7	selling 102.9

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 2014.

	2015	2014
	----- (Rupees in '000) -----	
Effect on profit		
USD 10%	(280,339)	(105,821)
Euro 10%	307	4,635

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	
	2015	2014
	----- (Rupees in '000) -----	
Financial liabilities		
Fixed rate instruments		
Long term finance	479,262	608,240
Variable rate instruments		
Short term borrowings	-	1,177,725

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 2014.

	Effect on profit and loss	
	100bp increase	100bp decrease
	(Rupees in '000)	
As at 30 June 2015		
Cash flow sensitivity-variable rate instruments	<u>-</u>	<u>-</u>
As at 30 June 2014		
Cash flow sensitivity-variable rate instruments	11,777	(11,777)

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 97.59% (2014 : 96.55%) of the total revenue of the Company.

33.2 All non-current assets of the Company at 30 June 2015 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. Reclassification made in the financial statements is as follows:

Reclassification from component	Reclassification to component	Rupees in 000
ADMINISTRATIVE COST	DISTRIBUTION COST	
Salaries, wages and benefits	Salaries, wages and benefits	41,859



34.1 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 02, 2015 has proposed a cash dividend in respect of the year ended June 30, 2015 of Rs. 2.50 per share (2014: Rs 2.00 per share) amounting to Rs. 655,438 (2014: Rs. 524,350) for all shareholders of the Company except directors, their relatives and associates and Rs. 0.80 per share (2014: Rs 0.50 per share) amounting to Rs. 301,231,034 (2014: Rs. 188,269,402) for directors, their relatives and associates which aggregates Rs. 301,886,472 (2014: Rs. 188,793,752), for approval of the members at the Annual General Meeting to be held on October 28, 2015. 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, 2016.

35 NUMBER OF EMPLOYEES

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

	2015 ----- (Number)	2014 -----
Total number of employees as at June 30	<u>2,951</u>	<u>2,787</u>
Average number of employees during the year	<u>2,836</u>	<u>2,678</u>

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 2, 2015** by the Board of Directors of the Company.

37 GENERAL

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

ANAS RAHMAN
CHIEF EXECUTIVE

SHEIKH ZAFAR AHMED
DIRECTOR

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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
43rd Annual General Meeting of the Company to be held at B-4/A, SITE, Karachi Wednesday October
28, 2015 at 12:00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2015.

Please affix Rs. 5/-
Revenue
Stamp

Signed _____

WITNESSES:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
NIC or _____	NIC or _____
Passport No. _____	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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